DEPARTMENT OF DEFENSE APPROPRIATIONS FOR 1953

WEDNESDAY, FEBRUARY 6, 1952

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D. C.

The subcommittee met at 10:20 a. m., pursuant to recess, in room F-39, the Capitol, Hon. Joseph C. O'Mahoney (chairman of the subcommittee) presiding.

Present: Senators O'Mahoney, Chavez, McClellan, Saltonstall, and Knowland.

DEPARTMENT OF THE NAVY

PROCUREMENT PROGRAM

STATEMENT OF VICE ADM. C. W. FOX, CHIEF OF THE OFFICE OF NAVAL MATERIAL, DEPARTMENT OF THE NAVY

INVENTORY CONTROL

Senator O'MAHONEY. The subcommittee will come to order.

Admiral Fox, you were to present some additional material to us, as I understand it, from the statement made at the public session.

Admiral Fox. Mr. Chairman, I would like to preface this presentation by asking you to visualize, if you will, the Sears, Roebuck commercial enterprise, which involves approximately 100,000 separate items of supply.

We in the Navy—and I hope I do not overemphasize Navy, because all three services are in this program—are concerned today with 1,350,000 separate items of supply. That is 13½ times the size of the Sears, Roebuck commercial enterprise with regard to the number of items.

Senator O'MAHONEY. What was that figure again?

Admiral Fox. Sears, Roebuck has about 100,000 items. The Navy alone has today, under inventory control, 1,350,000 items.

I would like to pause a moment to explain inventory control briefly. We mean by "inventory control" that we can tell you within 12 weeks of the time you ask, I mean not more than 12 weeks back, the stock position of any single one of these 1,350,000 items, what it is, where it is, and how much there is, throughout the system.

That system has a quarterly stock status report which revolves once every 3 months. Four times a year we have a consolidated picture of our entire stock position throughout the Navy.

Senator O'MAHONEY. Now, that means that the Navy knows with a high degree of accuracy what the inventory is, of more than 1 million separate items?

Admiral Fox. Precisely so, sir.

OVERSTOCKED ITEMS

Senator O'MAHONEY. Can you tell the subcommittee whether or not the Navy is overstocked in any of these items?

Admiral Fox. I am glad to have that question, sir. We are overstocked in some items. In industry, the retail industry, depending upon the type of industry it is, there is allowed for what is known as bad buys, in excess of 5 percent. I was informed it runs as high as 7.2 percent, again in the Sears, Roebuck line. Therefore, with 100,000 items in their stock list, they will at all times theoretically have 7,200 items that represent bad buys. Either they bought too much, or there was not customer acceptance, or a combination of the two. Bad buys also include those items that remain on the shelf beyond normal stocking periods.

Senator O'MAHONEY. What is your authority for that statement?

Admiral Fox. The Sears, Roebuck Co., Mr. Hugh Duffield, the local manager of the Sears stores.

Senator O'MAHONEY. The local manager here in Washington?

Admiral Fox. Yes, sir.

Senator O'MAHONEY. And he tells you that Sears, Roebuck has a percentage of 7.2 percent of bad buys, on the whole; is that right?

BAD BUYS

Admiral Fox. That I would like to explain. "Bad buys" means that they will not realize their anticipated profit. They are the items that are sold eventually through sales or, if need be, actually disposed of at a loss. In fact, throughout the industry, this factor is recognized in all retailing industry; bad buys. That is the reason we have sales, and the bargain basements.

If you permit us that factor of 7.2 for bad buys, at all times the Navy will have 97,200 items that represent bad buys, and still we will not exceed the accepted index of industry.

Senator O'MAHONEY. What is your index?

Admiral Fox. I do not know precisely, but I am sure that we are well under that index of 7.2.

My point is that you cannot hide 97,200 items that represent bad buys.

Senator O'MAHONEY. Can you give us an example of what you regard as a bad buy, as far as the Navy is concerned?

Admiral Fox. We will take an item of electronic tubes, radio, television, or tubes we use throughout our electronic equipment. They are in great demand. Without very much warning, there might be an improved tube that is developed, and it is introduced into the stock, which outmodes the ones that we have. These, therefore, become obsolescent and sales, or issues, as we call them, immediately go down on the old item and up on the new item. So then we have to dispose of this old item.

SURPLUS INVENTORIES

Senator O'MAHONEY. Are the vessels which are in service overstocked at any time?

Admiral Fox. Well, yes, sir, they are overstocked, but we operate just as a commercial organization, just as your chain grocery stores. We have a system of reporting back through the system, so that the excesses show up and are taken from that activity, transferred to another activity that might need them, or, if there is a system-wide excess, they are ultimately reported for screening by the other departments, other military and Government departments. And, finally, if not required by them, they are finally surplussed and sold.

Senator O'MAHONEY. Well, you do have a system which is constantly in operation, then, to discover what may be surplus or what may be a bad buy, or an excess of inventory; and you seek to transfer those inventories to areas in which they can be used?

Admiral Fox. Yes, sir, we certainly do, and on every one of these quarterly stock status reports that are consolidated quarterly, the first operation is to put all of these data on one sheet, by activities, for each item, and it shows up over in the final total either as a requirement to replenish the system or an excess.

Now, within this range of, say, 20 reporting activities, some may be over and some may be completely out, and we may have a net deficiency in the system.

We take from those that have too much, always considering the transportation costs, and transfer, where it is economical, to those which do not have enough; and then go into the market for the net buy to replenish the system.

CONTROL OF OVERPURCHASING

Senator O'MAHONEY. What system do you have to prevent overrequirement, or overpurchasing?

Admiral Fox. Overpurchasing, Mr. Chairman, comes from a combination of things. We might say it is bad judgment or, not necessarily faulty technical information, but just inability to look into a crystal ball and determine what will be required. I am speaking now particularly of newer items. Those items on which we have a broad base of usage data are under much better control with regard to overbuying than new items.

Senator CHAVEZ. Is that due to the technical improvements that happen daily?

Admiral Fox. There are a great number of items being introduced into the system constantly, and old items being deleted from the system.

Senator O'MAHONEY. My question was: What sort of a procedure do we have to restrain your procurement officers from buying things which are not necessary, or too much of things which are necessary?

Admiral Fox. Mr. Chairman, the procurement officers buy, and they merely perform the function of procurement. The determination of the quantities is made by our stock-control people, inventory-control people. They actually compute, from the basis of their records, the past history of each particular item, and there is human judgment applied to each and every item. From these stock-status reports they

not only get the history of the issues, of the activity of each item during the reporting period, but they add to it the two previous periods, so that they have what we term a 9-month supply-demand review. And in doing that, we prevent peaks and valleys in quantities by broadening this base and considering the history of issues, replenishments, obligations, and so forth, for a 9-month period. We get a trend instead of a peaking and dipping.

Senator YOUNG. Do you make any contact with the other branches of the armed services to see if they can use some of the things that are in surplus with you?

SURPLUS PROPERTY AND DISPOSAL UNIT

Admiral Fox. Absolutely. When an item is excess to the Army or the Navy or the Air Force, it is reported to a central unit, which is staffed by the three services, the Surplus Materials Division, Bureau of Supplies and Accounts. The first to get an opportunity to take what we have in excess are the Army and the Air Force; and, conversely, if the Air Force has an excess item, the Navy and the Army have an opportunity to claim it before it is reported to the General Services Administration. When it is reported to GSA, all of the other Government departments have an opportunity to claim it.

Now, finally, through all of that screening, if the item is not claimed in its entirety, that which is left is then surplussed for sale.

Senator YOUNG. How long a period is that between the time you first contact the other services and the time you finally dispose of it?

Admiral Fox. From a minimum of 90 to 270 days from the time it is reported.

SIZE OF INVENTORY-CONTROL BRANCH

Senator O'MAHONEY. How large an organization do you have in the inventory control branch of the service?

Admiral Fox. Well, Mr. Chairman, that would be a mere guess on my part. I would estimate either directly or indirectly concerned with the control of quantities, and what we buy as to quality, involves approximately 12 to 15 percent of our total personnel engaged in supply operations.

Senator O'MAHONEY. Since you have not the accurate figures here, let me suggest that you make a check and insert in the record the exact number of persons so employed; and then, if you know, whether you can make a comparison with Sears, Roebuck as to the percentage.

(The information referred to follows:)

At supply demand control points, naval supply centers and supply depots where the bulk of the inventory control for the Navy supply system is performed it has been determined that out of a total of 66,845 personnel 7,834 or approximately 12 percent of the total are assigned to inventory control functions. As Sears, Roebuck figures were not available, a comparison could not be made.

SUPPLY CORPS TRAINING

Senator O'MAHONEY. Now, let me ask you, what training do these persons have?

Admiral Fox. Well, insofar as the officers concerned, they have very extensive training. This inventory control for our whole supply

system is administered by the Supply Corps of the Navy. The supply corps is a corps of specialists, business specialists. I happen to be in the Supply Corps. We are supply officers by inclination, by training, and by experience.

Senator O'MAHONEY. How long have you been in the Supply Corps?

Admiral FOX. Thirty-nine years this month.

Senator O'MAHONEY. So that has been your training and your function in the Navy?

Admiral FOX. Yes, sir. And I am not the oldest. We have one who has been on active duty, without missing any time, 53 years.

Senator O'MAHONEY. You look very young for your 39 years. What was your work when you started?

Admiral FOX. Apprentice seaman.

Senator O'MAHONEY. I always take my hat off to a seaman who gets to be an admiral.

SUPPLY MANAGEMENT

Admiral FOX. I would like to go further, Mr. Chairman. We have in the Supply Corps in excess of 5,000 officers. Over 50 percent of them either have a postgraduate course in business administration, or graduated from college and majored in comparable subjects. They are businessmen, and I do not believe any place in industry do we have such a large group of well-qualified personnel to administer supply management. It is our entire training, our experience, our whole life is headed in that direction. We do not navigate ships, and we do not shoot guns; we are the business corps of the Navy.

Senator CHAVEZ. May I ask a question there?

Admiral, it appears to me that possibly your greatest difficulty would be in obsolete supplies and materials. What kind of control or investigation do you make so that you would not buy too much materials that would become obsolete, say, by the time you need another budget?

Admiral FOX. As I just explained, we are plagued with the same difficulties that industry has in buying material. We buy material to issue, and our purchases are predicated on judgment, on past experience of issuing, if you will, that same item or a similar item.

Senator CHAVEZ. I can see your difficulties of the human factor entering into the picture, and I can see the business end of it in the picture. But with the technical developments and advance as made now, you have your research set-up within the Navy investigating all of these supplies and all of these materials. Now, do you have, within personnel, some organization that takes care of this as between research that might develop a new material in 3 months, when you are going to make a purchase?

CONTROL OF SUPPLY SYSTEM

Admiral FOX. Yes, sir. I would like to comment on that. It is a good question.

In our supply system of this vast range of material, we have found it necessary to decentralize the administration into what we term supply-demand control points, of which there are eight. Each supply-demand control point has the administration of a specific category of material. For example, there is the Aviation Supply Office in Phil-

adelphia, which controls all aviation material; the Ships Parts Control Center in Mechanicsburg, Pa., controls all ships parts. The General Stores Supply Office in Philadelphia controls all general stores. The Submarine Supply Office has the same thing there. They are broken down by categories.

Now, all of these separate supply-demand control points are coordinated here at the Washington level. That is what we term our integrated Navy supply system. But these field activities are spread all over the country to control this vast range of material.

Secretary KIMBALL. I think some questions will come up, naturally, as you go through that.

Senator MCCLELLAN. Might I ask a question or two at this point? You do accumulate some surpluses by reason of new improved products coming out, is that correct?

Admiral FOX. Yes, sir.

Senator MCCLELLAN. Just to use a simple illustration, suppose you use spark plugs, and I see what looks like one there and I do not suppose it is on the chart. You have a quantity, we will say, of spark plugs or some other item similar to that, that is now in use; and in anticipating your needs you go and buy a quantity, and by the time they are delivered a new improved items comes out and it is available. You have a supply on hand of the old ones to last for a year or a year and a half, we will say, according to your experience of needs.

Now, what do you do? Do you immediately declare that old one obsolete and start in the market for new purchases of the improved one?

Admiral FOX. No, sir, we do not. We have the technical people tell us whether that old spark plug can be used. In many instances that spark plug can be used perfectly satisfactorily on, we will say, older equipment.

Senator MCCLELLAN. Well, it has been used all of the time up until now.

Admiral FOX. Yes, sir, but perhaps we have new equipment, a new plane or a new engine in which there is required a different spark plug, and that different spark plug will also work more satisfactorily on your old equipment.

Senator MCCLELLAN. Just the fact it will work more satisfactorily, just like a Cadillac would be more comfortable to drive than a Ford, maybe, that does not necessarily mean you should immediately discard the old and call it obsolete and say, "Now we have got to get this improved type"?

ORGANIZATION OF SUPPLY OFFICE

Admiral FOX. No, sir, we do not. I lost the Senator's question in my explanation. I wanted to bring out the fact that in each one of these supply-demand control points we not only have Supply Corps officers, out we have a technical staff. For instance, in the aviation supply office in Philadelphia, we have aviation engineering officers, and various other technicians. We have found that in order to operate successfully this supply business, there are three distinct elements that must literally live together. They are the procurement man, the inventory control man, and the technical man. These three must be together.

Now, getting back to your change of design, we work very closely with the design personnel to anticipate, so that the engineers will tell us, "Don't buy any more of these Wright piston rings, we have had a lot of trouble with them but have got it licked. Be careful. Don't replenish the excessive quantities that have been drawn."

That is passed immediately to stock control, and we slow down; we work hand-in-hand with the technical and design people to try to anticipate as many of these changes as possible so that we do not get caught with a large stock of obsolete spark plugs.

I am sorry I lost your question in my rambling to explain inventory control.

Senator McClellan. That is what I want to emphasize. You point up Sears, Roebuck, that out of 100,000 items they have an experience of 7.2 of obsolete material items that they get overstocked on, beyond the demand of the trade.

Now, you used the expression here, you "buy to sell" in the Navy. How do you buy to sell? I thought you bought to use.

Admiral Fox. We buy to issue, and I used "sell" figuratively. We are really in the selling business, and we have customers, very tough customers.

USE OF PROCURED ITEMS

Senator McClellan. I can appreciate, of course, that the purchasers for Sears, Roebuck use both what their customers need and what their customers will buy, and they have to calculate on both bases, and they might readily buy up a stock of goods anticipating the demands from their customers and some new article will come out that would be a better article, and therefore the customers buy the newer and improved article and thus leave them with a surplus on hand of the old stock. But what I was trying to emphasize was that it seems to me in the Army and the Navy and the armed services, every effort should be made to use up the old stock, because it is not necessarily imperative that every time a new article comes out, that you discard all of the other that you have on hand, and just for the sake of buying one that is a little better. They can be used. And I wondered if that is the policy, to undertake to use all of it before you go into stocking the new and improved item?

Admiral Fox. That is perfectly true, and we are very sensitive to that, and we make every effort to utilize, shall we say, the older item. We know that we can get more for the taxpayers' money by using our stock than we can by surplussing it and eventually have it sold.

Senator McClellan. Then in spite of the best judgment that can be exercised under the system you have, which I assume you feel is the best you can devise up to the present, or those of you who are responsible, for the purchasing of the supplies, in spite of that there will develop, either from mistaken judgment or from changed conditions that could not be anticipated at the time the purchases were made, some surpluses. And you feel that that surplus or the obsolete articles are less than 5 percent of the total purchases?

Admiral Fox. That would be my estimate; yes, sir. It is our constant effort to reduce those errors in judgment to an irreducible minimum. I should like to say that these errors in judgment or overbuying—and I would like to qualify "bad buys," they are not

bad in the sense that we lose every cent we have in them. In industry they are the buys that did not sell to gain the profit that was anticipated, they may be sold all of the way from cost to actually giving the goods away.

Senator McCLELLAN. It does not mean that they are a total loss?

Admiral Fox. That is correct, sir.

MANAGEMENT SURVEYS

Senator O'MAHONEY. Before you go to your chart, Admiral, I am sorry I am dragging you away from the story you came to tell the committee, but in view of the comparison that you have made between the activities of the Supply Corps of the Navy and business organizations, and what I feel confident is the justifiable pride you take in the operation of the branch of the Navy which is under your direction, I should like to ask you if you have had surveys made from time to time, by business-management personnel, with respect to how the Supply Corps operates?

Secretary KIMBALL. May I speak to that, Senator? I am particularly anxious to, because one of the things that I continue to do is try to check to see how well we are doing with this thing.

A month ago I asked one of the larger companies in the country—I was concerned about our spare parts; were we buying too much or too little or were we handling them right—and they sent a team of men down and surveyed our system very completely, and they came back with a report and said in their opinion we were running our supply system at least as well as any of the large corporations in this country.

Senator O'MAHONEY. At least as well?

Secretary KIMBALL. And they said in many of the places on the purchase of parts, when we buy a truck or an airplane or a ship and we buy a certain number of spare parts, our formula was closer than what the normal manufacturing company would use. In other words, we were erring on the side of being a little too tight rather than too loose. They made some suggestions as to some improvements they thought we could make, but they said on the whole they thought we were running as well as any of the large corporations.

Senator O'MAHONEY. That would imply that they thought you were running it better than some corporations.

Secretary KIMBALL. I thought we would get some criticisms.

Senator O'MAHONEY. Can you give us the names of the persons who made this report to you?

Secretary KIMBALL. The Chrysler Corp. sent a team of people down to make that survey, and I can furnish you with a copy of their report.

Senator O'MAHONEY. I think we ought to have that, and also the names of the individuals, and their positions in the Chrysler Corp.

Secretary KIMBALL. It was the top parts people in there, and we have their names.

Admiral Fox. Could we make that double, and also furnish a copy of the report that your Advisory Council submitted, men of unquestionably high stature in industry, that the Secretary has brought in as a group of advisers on supply management and on other problems that we have in the Navy, who went over this supply system and also gave us a very fine report?

Senator O'MAHONEY. I think it would be very well to add that. (The information referred to follows:)

CHRYSLER CORP.,
Detroit, Mich., January 29, 1952.

Hon. DAN A. KIMBALL,
Secretary of the Navy,
Washington, D. C.

DEAR MR. SECRETARY: In compliance with your request to our Mr. K. T. Keller, chairman of the board of the Chrysler Corp., we have visited the Office of Naval Material and the Bureau of Supplies and Accounts in Washington, D. C., as well as the Aviation Supply Office and General Stores Supply Office in Philadelphia. We also visited the Ships Parts Control Center in Mechanicsburg, Pa.

While we are aware that the Navy supply system has a responsibility for maintaining, at all times, a military readiness to meet an attack which is entirely different from any problem faced by industry, we were pleased to observe the methods in use parallel, to a large degree, those of the Chrysler Corp. and other similar concerns who have material management problems.

Many of the plans and programs under way will require several more years to accomplish. However, we feel commendable progress has been achieved during the 5 years since the Navy supply system was activated. It is our opinion the professional Supply Corps officers on duty at the various supply demand control points visited are capable and enthusiastic in their work, and well schooled in their assigned duties.

During the course of our visits, we made the following observations which we submit for your consideration. They are:

1. Methods of follow-up for delivery of critical items differ between supply-demand control points. We feel this matter is so important that a separate branch at each Supply Demand Control point should be held responsible for this function.

2. The supply-demand control points expedite delivery of materials via inspectors of naval material. At present, over 50 percent of all contracts are delinquent at the activities we visited. It is our opinion the present system will not stand up under conditions of total warfare. We recommend expediting and inspection be separated, expediting to be placed under control of supply-demand control points.

3. Supply-demand control points do not always have adequate information for supply management. Complete allowance lists should be prepared by all supply-demand control points. Complete and detailed technical data, bills of material, etc., should be provided to the supply-demand control points by the technical bureaus involved for this purpose. It is equally important that supply-demand control points keep allowance lists current at all times.

4. At present, every item on some categories of material is reported quarterly. Other categories of material are reported only on issue. We recommend that periodic stock status reports be prepared on active items only—quarterly, monthly, or more frequently as required.

5. Stocking material. We recommend all inactive items be progressively returned from local stock points to reserve stock points. Reserve points such as Clearfield, Utah, and Mechanicsburg, Pa., can provide delivery service on an emergency basis within 48 hours by air or express.

6. Concurrent manufacture of aeronautical spare parts. We suggest a continuing study be made as to the possibility of economizing on the total cost of aircraft spares, with consideration to the manufacture of maintenance spares concurrent with assembly parts and the lifetime spares at the conclusion of manufacture of each particular assembly part. The purpose of this suggestion is to reduce the obsolescence and alteration as may be required because of changes in design during assembly.

7. Cost of obsolescence. As a means of studying the continuous problem of surplus and obsolescence, statistics should be prepared comparing the dollar value by class of the material in the aforementioned categories in order to compare this dollar value and total sales. The factors obtained can be used as an aid in determining the effectiveness of Navy Supply Systems as compared to industry.

Should you desire additional information regarding these observations, we will be pleased to elaborate.

Respectfully submitted.

G. B. FRAUMANN,
General Parts Manager, Chrysler Corp., Export Division.
C. H. HARNESS,
Special Representative, Chrysler Corp., Parts Division.

CITIZENS COMMITTEE FOR THE HOOVER REPORT,
Washington, D. C., December 13, 1951.

Hon. DAN A. KIMBALL,
Secretary of the Navy, Washington, D. C.

DEAR MR. SECRETARY: Your advisory group on supply management has made a brief review of the Navy supply system. This vast field involves procurement commitments of roughly $7 billion annually. It cannot, therefore, be expected that an ad hoc group such as ours can do even a remotely complete job. We have, however, attempted to make a brief review and to make a few suggestions. We hope these comments will prove beneficial.

1. *The use of Supply Corps officers in the contracting offices of the technical bureaus.*—We believe that the quality and speed of procurement would be considerably improved were officers of the Supply Corps to be given responsibility for the contracting function in the technical bureaus. These officers should operate under command of the bureau chiefs. They would report technically to the Chief of the Bureau of Supplies and Accounts under arrangements similar to those employed for medical officers.

The supply officers have, by inclination and by training, been brought to a high degree of proficiency in the business operations of the Navy (as distinguished from the military operations). Were the supply officers to be utilized as we suggest, two main advantages would be derived therefrom: First, procedures, which vary widely among the bureaus, as the wide differences in procurement lag time indicate, would be standardized to a greater extent than at present; and, second, a trained corps of business officers would be made available to the technical bureaus, thus answering the need for more personnel and also freeing line officers for technical work or command responsibilities.

The majority of the members were in favor of leaving out recommendations for implementing steps as being beyond the group's purview. However, Messrs. Charles Thomas, James Lewis, Jr., and Robert L. L. McCormick held the following views on implementation:

"We would not advise that this change be effected by directive. It should be made evolutionary. The first step would be to make generally known to the technical bureaus the availability of Supply Corps personnel for this purpose. Next, the consent of the technical bureau should be sought for a pilot test or series of tests. Should the proposed system prove successful in the pilot tests, the system could then be extended, by mutual consent, to all technical bureaus of the Navy Department."

In commenting upon the draft report, Mr. V. deP. Goubeau stated that, in his opinion, it is the responsibility of the Materials Division to develop policy and procedure of a consistent nature for all bureaus to follow. During the last war, as you know, our negotiators who were assigned to the technical bureaus reported to our office and, consequently, the developing of standard and consistent policies and procedures was done from our office for all bureaus. Perhaps it is intended that the Supply Corps will develop this policy. If not, the S. and A. and the Materials Division will have to work closely with the policies being issued by the Materials Division and carried out by the Supply Corps officers on a consistent basis.

2. *What improvements have resulted from the Livingston report?*—We were not presented with information indicating what action had been taken in the Office of Naval Material or in the technical bureaus in order to effect the applicable recommendations in the Livingston report on procurement. Since this report was concerned with the need for speeding the procurement process, it would be most helpful to you were the technical bureaus and the Office of Naval Material requested to prepare statements of accomplishments pursuant to the recommendations of the Livingston group, as well as a listing of the recommendations either to which they take dissent, or which are not applicable to their operations. These reports should be brief. We have no intention of recommending that a vast report be prepared. It would be well, however, if a brief status document could be sent forward on this matter.

3. *A reassessment of the paper work in supply-demand control points.*—A brief management review of the records at the Aviation Supply Office in Philadelphia and all supply-demand control points might profitably be undertaken. In our opinion, the system at Philadelphia was conceived, and is operated, with great professional skill. The question there is not whether the supply system is imperfect. The question is whether it is too complete. Is it necessary to employ such detailed controls on hundreds of thousands of items, many of them minor both as to quantity and as to dollar value? This question we are not in a position to answer.

The present system certainly is valid for major items such as generators and pumps. However, virtually the same control procedures govern inventories of minor items like signal flags. It might be—and we did not have the time to make a fair judgment—that there could be drawn a line, reserving the more complicated paper-work procedures in inventory control to certain types and classes of items, while instituting a looser control on other types of inventory.

Both in private business and in Government, there is a tendency for supply paper work to burgeon because of a natural human desire for operating perfection and because of a need for safeguards. The task force of the Hoover Commission on the Federal supply system spotlighted the cost of this in the following statement:

"It has been estimated * * * that approximately 3,000,000 purchase orders are issued annually by the various and sundry Federal buying offices and that approximately one-half of this huge quantity of orders average less than $10 in value. The partial cost of processing a purchase order is greatly in excess of $10."

We suggest, therefore, that an outside consulting group be brought in for a limited study of this problem. We have in mind no elaborate survey—merely a few weeks of checking. The work to be done by such a consulting group could be centered in the Aviation Supply Office in Philadelphia. The work of such a group, if results obtained at the ASO warrant, could be supplemented or put into practice by Navy teams in various other supply-demand-control points.

(Additional view: In commenting upon the draft report, some members thought that it might be well to suggest a review of the transshipment from point to point, which seems to have become a regular procedure. The committee was told while at ASO that stock levels were constantly being reviewed, and, where excesses were found, shipments of those excesses were made to other points. We were informed that this was done when the expenses involved made it sensible to do so. It may be that those who review the lists of inventories are not in a position to conduct the research necessary to see what expense would be involved in transferring items. It may be that such transfers have become a regular procedure and that extra paper work, transportation costs, material handling, and other expenses, have been injected into the operation. Transfer of excess materials should not necessarily be a regular activity.)

4. *The recapture of used strategic materials and supplies needs more emphasis.*—In many private businesses, incentive procedures are in effect, whereby the user of worn-out materials is given a credit of one sort or another for materials turned in, when he draws new parts or equipment. It is not so easy to establish a recapture program in a governmental activity; and it is particularly difficult to establish such a program in active warfare when large quantities of critical materials are being shot over the side every minute. Nevertheless, a reasonable program would offer several major advantages: First, it would make the personnel in the fleet and elsewhere conscious of preserving materials; second, it would preserve many materials, or at least cause them to be shipped to a point where a competent technical decision could be made as to repair or scrapping; and third, it would tend to obviate criticisms of the type which have arisen throughout the Navy's history, when isolated instances of "dumping it over the side" have been brought to the attention of the public.

We would not recommend installing a system such as the hardy old perennial whereby a clerk can't get a new pencil unless he brings in the stub of the old one. However, some broad directive to require and encourage the conservation of critical materials is needed. It should also provide for the establishment of a procedure for obtaining a technical judgment as to re-use or scrapping in order to fulfill this end.

5. *Excessive paper work clearances must be constantly reviewed or they will continue to delay procurement.*—In several cases the problem of extended series of paper-work approvals or clearances was brought to our attention. In fact, Mr. Secretary, you raised this point yourself. It is a problem common to all legitimate enterprises and is particularly deleterious when it substantially delays the final execution of the contracts—as it inevitably does.

We would advise a strong directive to the bureau chiefs, as well as to officers at the departmental clearance level, to the effect that excessive paper-work approvals must be constantly reviewed and eliminated. A requirement that the cognizant officials review this matter every 6 months might cause the situation to be kept under reasonable control.

Several of our members mentioned the success they had had in their own operations with "simultaneous clearances"—that is, the use of carbon copies to replace "sequential clearances" (buck slips and routing slips). In a military organization the tendency is always toward sequential approvals (buck slips), because of the command concept. The directive should also place upon the bureau chiefs and other cognizant officials the responsibility for instituting simultaneous clearances wherever possible.

6. *Personnel.*—We are presented with statements to the effect that personnel ceilings were hampering proper operations. After a short survey of this sort, we are, of course, not competent to pass judgment on this matter. We do feel that it requires constant review and audit (both self-audit and outside audit). Readjustments will be necessary as a result of program shifts. Changes in emphasis through the phasing cycles of a partial mobilization will also call for reallocations. The prime need clearly is for full utilization of personnel on deck and the reallocation where necessary.

In the time allotted we did not have an opportunity to make a real review of the various steps involved in establishing requirements or contracting for procurement orders. Several of the suggestions made above can cause an improvement in the present situation. We do not wish, however, to give the impression that we have given this matter more than a small portion of the consideration which it deserves.

The group reviewed only the Supply Corps operations. There was inadequate time to review the activities of the technical bureaus. It should be made clear, therefore, that this report is being prepared as a result of a 3-day meeting which did not include the procurement activities by the technical bureaus. Some of the members had past familiarity with the procurement activities of the technical bureaus, others did not.

Both in the presentations in the Navy Department and in our visits to the field installations, we were highly impressed with the leadership, the organization, and the competence shown by the Supply Corps. The program for assignment of officers to private industry is already bearing fruit. Everywhere we found men of competence who knew their jobs. We were particularly impressed with the way that the senior officers and the Supply Corps are bringing in and developing younger men who are skilled in business procedures. Clearly, in the years since the close of World War II, the senior officers in the Supply Corps have been performing their personnel duties with great competence. Their work holds promise of accumulating rewards for the Nation in the future.

Everywhere we received the most courteous treatment and all information desired. We were taken right into the family, given a full and frank explanation of everything that we raised and much that we did not raise. For this we wish to thank Mr. Askins, Vice Admiral Fox, Rear Admiral Royar, and their competent staffs.

The group has authorized me to sign and submit this report on its behalf. The members of the group on whose behalf the report is submitted are:

Mr. W. R. Elsey, assistant vice president, Pennsylvania Railroad Co., Philadelphia, Pa.
Mr. James F. Lewis, Jr., vice president, Champion Spark Plug Co., Toledo, Ohio.
Mr. V. deP. Goubeau, vice president in charge of materials, Radio Corp. of America, Camden, N. J.
Mr. E. H. Hawkins, Wilmington, Del.
Mr. Charles S. Thomas, president, Foreman & Clark, Inc., Los Angeles, Calif.
Mr. Robert C. Campbell, general purchasing agent, United Motors Service, Detroit, Mich.

Mr. Steven B. Wilson, president, Fram Corp., Providence, R. I.
Mr. C. A. Weymouth, assistant to the president, Associated Transport, Inc., New York City.
Mr. R. A. Dickson, assistant to the president, Terminal Warehouse Co., Philadelphia, Pa.
Mr. Harvey Emery, president, First Mechanics National Bank, Trenton, N. J.

Respectfully yours,

ROBERT L. L. MCCORMICK,
Director of Research.

Admiral Fox. To answer your question, we have been surveyed a number of times by various groups, both professional management engineers and groups that have been brought in from industry. We have not yet been invited to survey any business, and I am waiting for the day that they ask the Navy to survey business.

Senator O'MAHONEY. To use the vernacular, the saying is "You have been surveyed by experts and found to be good."

Now, if you will proceed to the presentation of the chart.

NAVY CATALOGING PROGRAM

Admiral Fox. I have asked you to try to visualize the size of this problem we have, from the standpoint of the range of items; and I am now going to ask you to try to visualize, not by multiplying the Sears-Roebuck catalog by 13.5 but to appreciate that our cataloging problem in the Army, the Navy, and the Air Force is the integration of thousands of manufacturers' catalogs into a single Federal catalog. I hope to demonstrate that to you here.

Ours is not simply a problem of making a catalog for a business house, but really the integration of the catalogs of all of the business houses that we do business with into a single catalog; so that the pin we buy from Allis-Chalmers, if it is the same one we buy from International Harvester, is given the same number and not Allis-Chalmers and International Harvester numbers.

Senator O'MAHONEY. That leads directly to the criticism which one sees so often in the press, that the same item is purchased by different services at different prices, and that there is no unification.

Admiral Fox. I have some to show you where they were purchased in the Navy at different prices. We have a contribution to make to the "chamber of horrors," voluntarily, and we have better examples than they have over there. I will show them to you before we get through.

May I proceed with this, sir?

Senator O'MAHONEY. If you please.

Admiral Fox. First of all, it should be understood that we do not catalog every single item. We are only seeking to catalog those items of supply that are necessary to maintain our equipment. This is what is cataloged. They are the replaceable parts for these various components in a ship.

Now, to give you some idea of the multiplicity of numbers these various parts are known by, according to where they come from, when this presentation was made in 1947, it was estimated at Mechanicsburg—and this is the Ships Parts Control Center share of the cataloging program only—there were 50 million numbers, 15 million of them being researched; and of those 15 million, only 2 million were found to apply to usable parts.

Now, this is very important: Of the 2 million numbers, there were only 80,825 individual items. In other words, the 80,825 items had 2 million numbers, depending upon who supplied them.

For instance, in researching, we found that we paid 39 cents for this gasket from the O company, with a number here. Research determined that the material this gasket is made from has been carried in Navy stock for years under this stock number, 33–P–1756, and we can actually make that gasket for 1.1 cents. So our catalog shows forevermor , "Do not order that gasket by that part No.; 'M'," and that means "manufacture."

Senator O'MAHONEY. Does that mean that the Navy itself can make this?

Admiral FOX. Yes, sir; you or I could. All we need is a ball-peen hammer, and if it is a flange gasket you put the gasket material over the flange and just tap it around the edges and you have the gasket.

Senator O'MAHONEY. The Navy now is manufacturing this type of gasket itself, rather than paying the much higher price than the cost which is listed there?

Admiral FOX. The Navy actually paid 39 cents for this gasket before we researched it and determined that that material is identical to our packing material that we carry in bulk. And we tell our people, "Henceforth, do not order by a part number; manufacture it."

Senator CHAVEZ. But do you get the gaskets at the lower cost of 1 cent? Are you purchasing the gaskets now or manufacturing them?

Admiral FOX. We are making them from our own packing material.

Secretary KIMBALL. We make them as we need them.

CATALOG STOCK NUMBERS

Admiral FOX. Here is an example. These are actual photographs of IBM listings of numbers of gaskets, and it happens to be 5,355 gaskets that were bought at varying prices, all of which can be made from this packing material. Our catalog shows all of these numbers "M," meaning "manufacture." And it gives the stock number of the packing that they can be made from.

It is the same way with this sheet plant fiber, 630 numbers; and zinc plate, 506 numbers. They amount to enormous savings.

Now, to get to some common items, here is a machine screw that we bought from the P Manufacturing Co.; and I would like to pause a moment to explain that we are identifying these companies by letters for the obvious reason of not revealing their identity, but I would like to get into the record that in no instance in our entire cataolg research have we found any evidence of a company changing numbers or using a multiplicity of numbers to take advantage of the Government or any other customers. They have reasons for using different numbers. I would like that to be thoroughly understood. Otherwise, this might cast some reflection on the integrity of reputable manufacturers.

The P Manufacturing Co. calls this their No. 339 and No. 550, and this is the identical screw. We bought it from that company for 5 cents and for 10 cents.

Cataloging research developed that we have them bv the barrel in stock, regular standard stock, under our No. 43–S–15550 and you can get that same screw from the Navy general stores for 7.2 mills, instead of 5 and 10 cents.

Senator O'MAHONEY. When was that discovered?

Admiral FOX. In 1947. This was my sales book, and I was one of the originators of our modern cataloging, and we had a very difficult time to convince even some people in our own family that you should invest money in this type of work.

Senator O'MAHONEY. Is this the Navy catalog of which you are speaking?

DEFENSE CATALOGING SYSTEM

Admiral FOX. This is the one segment of the Navy catalog. Now, mind you, each one of these supply-demand control points has to catalog its own material. The whole thing is integrated at the Munitions Board level, by the Munitions Board Cataloging Agency. The Army and the Air Force are cataloging, and they, too, send their findings in to that central agency. It is there, when this cataloging program is completed, that there will be a complete card file of every item that has been cataloged for the Air Force, the Army, and the Navy, under a single number.

ENGINEERING RESEARCH

Now, these are some more examples of common items, and these are actual IBM machine tape runs of the different numbers we found this same cotter pin under. It was 271 alternate numbers, and we have that cotter pin in standard stock and have had it for years.

The same thing with nuts; 253 alternate numbers for that one nut.

This lock washer, there are 322 numbers, and so on.

Each one of these are in standard stock and have been for years, but the point is, until we research each one of these to make sure that it does not have a different metallurgical property or different coating, you cannot throw it into the same bin.

There is the money in this cataloging program; that is what costs the money; it is the engineering research to determine that this washer, and each one of these numbers represent a washer, is identical with this standard stock number.

Senator O'MAHONEY. How is that chart produced?

Admiral FOX. This is hand work here, and this is a photograph and it is pasted on here [indicating], photographs of these IBM listings.

Senator O'MAHONEY. And it was prepared for this presentation?

Admiral FOX. It was prepared for me in 1947 when I went on the stump, so to speak, to sell the program.

Senator O'MAHONEY. Then these charts were used by you to educate and direct the activities of the Bureau of Supply staff at various places throughout the country?

Admiral FOX. They were really prepared to convince our people of the tremendous savings that could be made through cataloging, through real cataloging, and researching to identify the Allis-Chalmers part with the International Harvester part or the other part; that they are one and the same.

For instance, we researched turbine blades, and it was generally considered in these precision parts of a highly technical piece of machinery there was little or no interchangeability. Our engineering

research developed there is 36 percent interchangeability across the board in turbine blading. It represents tremendous savings when we identify this interchangeability, and then identify the fellow who makes the item, and I will show you some here, we get it for the lowest price.

STANDARDIZING PROCURED ITEMS

Senator CHAVEZ. Is there any possibility of standardizing that particular item among the different manufacturers?

Admiral Fox. Standardizing it?

Senator CHAVEZ. Yes, so there will not be that percentage of difference.

Admiral Fox. We cannot standardize industry, and we cannot control industry, as to what they will put in equipment. We do in the aviation business, and we have been doing it since 1922. The Navy and the Air Force have what is known as a Catalog of A and N Standards, and it comes from the days when the Air Force was a part of the Army. They were Army and Navy standards for aviation material. We found that contractors were putting left-hand threads on bolts and alemite fittings so we would have to buy the replacement parts from them. Back in the lean days of the early 1920's, the aircraft manufacturer stayed in business on the parts that he sold; he sold very few airplanes.

So as early as 1922 we started a catalog of standards; and we have today two large volumes, and literally give them to an aircraft manufacturer and we say, "We like your plane and we will buy it, but pick all of your hardware from these two books, because that is the hardware we stock; and if there is any item of hardware that you need that is not in those books, come to the Air Force, if it is an Air Force buy, or the Navy if it is a Navy buy, and convince us that you have to have something that is not in those books." That has saved the taxpayer millions of dollars, and it has prevented the introduction of slightly off-size or left-hand thread or a peculiar coating, because everything in those books is in our stock. And, hardwarewise, there is very little difference between an airplane and an automobile. You have the same toggle switches, the hose clamps, the pieces of hose, the wiring, the sockets, and the small light bulbs.

Senator MCCLELLAN. Is there any difference in the stability, and so forth, of a screw that turns to the right to tighten up, or one that turns to the left, so far as its actual practical use is concerned?

Admiral Fox. There are no left-hand screws in the A and N Standards, I can guarantee that.

Senator MCCLELLAN. I understand some were resorting to that device in order to compel you to purchase their product.

Admiral Fox. That was back in the early days, Senator. As I say, the aircraft manufacturer in those days, if he sold the Government and everybody 10 planes in a year, was in business and was doing good. He stayed in business by supplying the parts for those planes. It was in a sense a subsidy to keep him in business.

But as the aircraft industry grew, they grew out of the subsidy stage, just like a lot of other industries that we have had grow up. They are on their own, and they are healthy, and there is no longer any need for that. We control it by this catalog of materials. The advantages are obvious. That is the hardware we have in our bins.

And whether you have an old plane or a new plane, if you need a new piece of hardware, convince us that it has to be new; and if you do, we will put it in the catalog, but until we do we will not accept the plane.

NUMBERING SYSTEM

Here is what is known as a "part peculiar," and it is a piston for 2- and 3-cylinder Q corporation refrigeration compressors. This one company has this piston under 94 different numbers, and here they are [indicating]. We selected the second number on the list as an ordering number from the company, and we set this as our Navy standard stock number, and we will buy it evermore under that number.

Senator O'MAHONEY. Were these numbers identical, or were they different?

Admiral Fox. The item is identical, but the numbers are different.

Senator O'MAHONEY. Why would a manufacturing company give so many different numbers to an identical part?

Admiral Fox. Well, the common cause, Mr. Chairman—let us take an aviation engine. I spent a great deal of time in aviation supply. Every new model that is made of that engine, and every improvement, is given a new model number, because obviously the improvement is either to cut down the fuel consumption or increase the power output, or both. The engine company wants to know the performance of that engine, the usage of parts after they put this change on; so they give every part a new number, and statistically they can tell what the performance of parts is after they have put a new carburetor or supercharger, or whatever it is, on the engine.

So they have good reasons for it, but it plagues us, and we have to keep abreast of them. In the piston-driven engines, before the advent of the jet, the interchangeability of parts of a given manufacturer were in the neighborhood of 85 percent.

For instance, the Pratt & Whitney Co., when they had made less than 4,200 individual parts had approximately 100,000 part numbers for those parts.

Senator O'MAHONEY. Did you ever find, with respect to this particular "part peculiar" that you are showing us now, that the company had a different price for different numbers?

Admiral Fox. Oh, surely.

Senator O'MAHONEY. Although the article itself was identical?

Admiral Fox. The article itself is the same; and I would like to dwell on that for a moment. Pricing is certainly not static. I do not think you and I will ever buy these two suits again for the same price we paid for them. The first thing we must consider is the quality; is the quality the same, and under what market conditions was it bought?

For instance, they may have sold us this part for $10 a way back yonder when labor costs and material costs were low, and we may have paid $22 for it down here last year because labor costs and material costs have gone up in the meantime.

Senator O'MAHONEY. Then you do not know of any instance in which the price was different for an identical part manufactured under identical conditions?

Admiral Fox. No, sir. I stated before, for the record, I would like it to be understood that in no instance, in all of our researching in the cataloging programs, not only this one but the aviation supply office or any other place, has there ever come to my attention anything that would indicate a company had changed numbers and prices simply to take advantage of the Government. These listings are very largely from very reputable companies. I have a key to these letters that I am using, and I could give it to you, and you would be surprised to see some of the biggest companies. They are entirely ethical and in good standing.

Senator CHAVEZ. How many listings did you say, or how many numbers did they have on the "part peculiar"?

Admiral FOX. Ninety-four.

Senator CHAVEZ. Now, take this hypothetical question: Say today they sell 94 of those items, some for a new airplane and another one for a new engine and another one for something else; do they have different prices for those different item?

Admiral FOX. No, sir, they only have one part number today, and it is probably this one down here. These are previous numbers that they had.

Senator CHAVEZ. Well, then, we should not consider that.

Admiral FOX. They only have one number today.

Senator CHAVEZ. That is different.

Admiral FOX. This valve channel is used in four different components, and this is a thing that we run into constantly, that these are on wholly unrelated items, and we find this same valve channel and it is under these four numbers, and we assign one stock number, one bin. And, of course, that cuts down our investment in stock, less bins, less warehouses, and less people.

Now, this gets down to a question you came to a little while ago, I think. This is what we call a "pseudo peculiar." This is a bearing liner assembly, and one company uses this on their reduction gear model 304, and it is supplied at a cost of $25.

The C company uses the same bearing liner assembly in their reduction gear model, and supplied it to us at $63.

We have found this same bearing liner assembly under 16 different numbers, and here they are by various companies.

In our research, we found that the C corporation actually manufactured the bearing liner assembly for $9.06. So, in effect, from now on, we buy from the manufacturer and do not buy this as a part number from these two companies or any one of these 16 companies.

Senator O'MAHONEY. You say from now on?

Admiral FOX. From the time this was discovered.

Senator O'MAHONEY. And that was discovered how long ago?

Admiral FOX. This was discovered prior to 1947, because this presentation was prepared in 1947.

PROCUREMENT FROM ORIGINAL MANUFACTURER

Senator MCCLELLAN. Do you not try to make all purchases from the manufacturer of the article itself, rather than from jobbers?

Admiral FOX. How can you know that the wrist pin in an engine is from the same manufacturer that a wrist pin in another engine is from, until you research it and you get an engineer to tell you?

Senator McCLELLAN. You could not know it until then, but that is the purpose of research to discover that, and to enable you to buy from the original producer or manufacturer rather than pay the middle charges of some jobber.

Admiral Fox. That is the purpose of this program, Senator, and that is what we are driving at.

Senator McCLELLAN. That is what I am trying to emphasize.

Admiral Fox. If this is an indictment because we did not start until 1945, we are guilty.

Senator McCLELLAN. I am not trying to indict you. I am trying to emphasize the importance of the program.

Admiral Fox. That is the purpose of this presentation.

These are just some more listings, IBM listings of many numbers, and it is all the same item.

PROCUREMENT SAVINGS THROUGH CATALOGING RESEARCH PROGRAM

Across the board, we have found that on an average, in this particular program, there are at least 30 numbers for every single item. We have found some that have had over 1,000 numbers for the same identical item, and the average, in my estimation, is about 30 numbers for every item that we have researched. This just merely depicts some of the savings: fewer bins, less personnel, and fewer warehouses; and, of course, the big thing is less investment in stock. If you know that the material you have in 12 bins is all the same, you put it in one, and you reduce the stock level.

This merely depicts the funneling of this information down to arrive at those savings.

Now, when this catalog presentation was made, this was an estimate of the cost of this program: a little over $7 million. It was estimated at that time that our savings in 10 years would approximate $34 million, or a net saving of $25,729,800, at two activities only. They are the naval supply depots at Mechanicsburg, Pa., and at Clearfield, Utah.

What the savings would be throughout the Navy on every ship, there is no way in the world of determining. But the savings are astronomical.

Senator O'MAHONEY. That was an estimate, and what is the fact? We are speaking now after several years have passed. Has this catalog system saved money?

Admiral Fox. Yes, sir.

Senator O'MAHONEY. Have you any estimate now as to what it is?

Admiral Fox. I can give you an estimate, and I could not document it, Mr. Chairman. It would be impossible to document it. But I can give you a very good educated guess as to what we have saved.

Senator O'MAHONEY. Has it equalled what you have estimated?

Admiral Fox. I am sure it has. I have Commander Brighton here, who was the officer in charge of this program, and I would like to ask him if he would like to venture a guess.

Commander BRIGHTON. Admiral, and Mr. Chairman, since the inception of the program of which I am acquainted at Mechanicsburg, in that program alone I would venture that it would reach up well over, of course, the $26 million savings here already; and if you take into consideration the entire Navy, that is, all stocking activities

and all of the savings and benefits that have been achieved from the elimination of duplications, and numbers, on board all of the vessels of the Navy and wherever these savings may be effected, it would be impossible to arrive at or even to factually determine what the exact savings are which may have been accomplished, or which have been accomplished. But they are astronomical. I would say they are in the hundreds of millions of dollars.

Senator CHAVEZ. Why could you not make an estimate? If Mechanicsburg represents $26 million, it must represent a certain percentage of the total capacity in getting supplies. Why can you not make an estimate?

Commander BRIGHTON. The reason is simply because of the complications, the complexity of the problem. These savings are based on primarily three factors. One, and the most important factor, is the savings which are derived from procurement. That is, we now buy items after research, which means, when an item is researched, hundreds of items are being covered continuously, and as the information flows from these research technicians, it flows into the supply systems opposed to our inventory control personnel throughout the entire supply system. The procurement, sources of procurement, are changed.

To gather the thousands of instances factually which we have turned up in that respect, and even tied to procurement, it would be impossible to tie down to an exact figure.

Senator CHAVEZ. I hate to press the question, but it appears to me rather simple to make an estimate, because your problem outside of Mechanicsburg is identical, and you have the same three factors wherever you have a supply center; is that not correct?

Commander BRIGHTON. Yes, sir, the problem is identical in every supply system within the Navy, and it is especially true within our technical services where we are maintaining or determining our supply of repair parts requirements which are needed to maintain all of the thousands of equipments which are in existence within the Navy.

Senator CHAVEZ. Now, do not think that I am antagonistic. I believe in this and I am for it, but we have to show Congress that you actually are making a saving, and it would be better if we can show that you saved $100 million than if you saved only $26 million.

Admiral FOX. I think the point Commander Britten is trying to get over is that no estimate is good for you to use in the Congress if somebody challenges it and says, "How can you prove you saved $100 million?" And we must be able to prove it.

Senator CHAVEZ. You can prove fairly conclusively, in good faith, at least that what you did at Mechanicsburg saved $26 million; and by the same processes, can you not prove what you saved in the other plants?

MATERIAL DETECTIVE SECTION

Admiral FOX. It is very complex. For instance, at Mechanicsburg—I was there in command of that depot when that program started—we had a technical section that we facetiously termed the "material detective section." They had over 200 people, and every requisition that came into Mechanicsburg had to be researched by this technical division before it was ever passed to the stock record

section, to get the thing reduced to a language that we understood, because every requisition that came in was a word picture of what was wanted, nameplate data taken off the component for which the part was required, and we had a vast library of technical catalogs.

Senator CHAVEZ. Are you not doing the same thing at the other plants?

Admiral FOX. As this catalog program progresses, that technical research to interpret a requisition will disappear. When you start using numbers that are in the catalog, everybody concerned with processing the requisition will be talking the same language.

I have some exhibits here that we have found. This is a little piece of rubber gasket that we found under these several part numbers, about 18 part numbers, and we paid for that piece of gasket $2.52. We have that material in standard stock again under this stock number, and have had it for years, and it is what we call porthole gasket material; we can give you the same thing for 1 cent, and all you need is a pair of scissors or a knife to cut it off.

Senator CHAVEZ. What is the unit of that piece of material that you have there, that you used to pay two dollars and some cents for?

Admiral FOX. This is a part number, and what particular piece of equipment it came from, I do not know.

Senator CHAVEZ. What was the length of that material that you paid that for?

Admiral FOX. We get it by the spool or the reel.

Senator CHAVEZ. And you used to pay two dollars and some cents?

Admiral FOX. We paid $2.52 for that piece 5 inches long, and now it is 1 cent from our own stock.

Here is a little lock washer, and I doubt if you can see it, as big as the end of your little finger; we paid 37 cents for that little lock washer, and we found it under all of these numbers. We have it in standard stock, and we will give you a bushel of them at 0.3 of a mill apiece; and we paid as much as 37 cents for one.

Senator O'MAHONEY. How long ago was that?

Admiral FOX. In 1947 or before; this presentation was made in 1947.

Senator O'MAHONEY. Now, Admiral, that raises the question about what we are doing today. This is a very admirable story of what was done in 1947.

Admiral FOX. This program is continuing right up to date.

Senator O'MAHONEY. I want the record to show that fact, since it is a fact.

Admiral FOX. I just wanted to get in the record that this presentation itself is approximately 5 years old, and the program is still being prosecuted vigorously.

Senator O'MAHONEY. You undertook this 5 years ago in order to improve the procurement policies in the Navy?

Admiral FOX. And to point out the economies.

Senator O'MAHONEY. And to establish economy?

Admiral FOX. Yes, sir.

TOTAL ITEMS UNDER INVENTORY CONTROL

Senator O'MAHONEY. Now, in 1945, the Navy was operating at very high speed all over the world, and it was a tremendous operation.

Then, as Secretary Lovett said the other day, perhaps we all went asleep, and a lot of naval vessels were put into moth balls, and personnel was reduced, and therefore, inventories must have been reduced and procurement was reduced

You have opened your testimony this morning with the statement that the Navy now handles 1,350,000 separate items. That is as of the present time, is it not?

Admiral Fox. Yes, sir.

Senator O'MAHONEY. What was it 2 years ago?

Admiral Fox. It was essentially the same, but we had not identified that many items. Today 1,350,000 items have been identified through this cataloging process and are under effective inventory control.

Senator O'MAHONEY. What has varied has been the number of items, or the quantity of items?

Admiral Fox. What is that again?

Senator O'MAHONEY. What has varied in the naval supply is not the number of items, but the quantity of the items?

Admiral Fox. That is correct, sir. As we bring all of these various numbers together, we find the same item stored in several different bins, and by identifying them as the identical item we consolidate them into one bin and require less quantity, so we reduce our investment in stock and we reduce the number of people and we reduce the number of bins and, ultimately, the number of warehouses.

GENERAL STORES CATALOG

Senator O'MAHONEY. Let me ask this further question: Of these 1,350,000 items, how many are items of daily use and consumption in the supply and maintenance of the personnel, like food and clothing, and how many are mechanical or industrial items?

Admiral Fox. I would like to explain it in this manner, sir: The most active supply-demand control point or category of material is what we term "general stores." They are the stores that everybody uses. They are the stores that ordinarily are found in a hardware store, hand tools, hardware, screws, bolts and nuts, and sheet metal, bar stock, and so on. They are used by all of the bureaus.

This particular program is what we term "technical material" which is used in a technical field.

Now, as we do this cataloging research and find that we are carrying items in a technical field that is in reality common stores, we identify them by these standard stock numbers I have been showing you as we have gone through, and in effect eliminate them from that technical field and put them in general stores. They are already there, and we merely tell our customers, "Don't be fooled by this part number; it is standard stock No. so-and-so, and it is so listed in our catalog."

Now, in that program there are about 65,000 items that are in a constant state of revolving, and they are the items that are really "hot," as we say.

Now, the food items are about 2,500, and we can also classify those as being "hot," because they are being used continually.

Clothing items, I do not know, and I would guess there are probably 1,000 clothing items.

Senator O'MAHONEY. Senator Knowland has a question.

Senator KNOWLAND. Admiral, I understood you to say there are 1,350,000 items that have been cataloged. There still must be a great many items that you have not yet cataloged, and how many are items that are not cataloged is the Navy presently using?

Admiral FOX. Senator, I tried to get this morning some idea of that, and I wanted to give you the state of completion of the Navy's part of this catalog program. The aviation supply system is completed. We have completely cataloged that. Forevermore we will have a maintenance job on that catalog, of keeping it up to date, that is, deleting the old items and adding the new items.

The general stores catalog, this 65,000 items I just spoke of, has been completed.

OTHER PROCUREMENT CATALOGS

The medical catalog is complete. The ships program, this particular program, is between 70 and 75 percent complete.

Submarine supply office is about the same; electronics is about 50 percent complete; and the ordnance catalog is about 50 percent; and the automotive and construction equipment about 40 percent.

So across the board, I would say that the Navy cataloging program is approaching 70 percent complete.

Senator KNOWLAND. You would not necessarily be the best witness on this, and perhaps the Air Force and the Army will have to be asked, but do you know how this compares with the Air Force and the Army program?

Mr. BENDETSEN. I can answer for the Army, Senator Knowland. Within the Army, its section of the entire cataloging effort in the three services is now estimated to cover approximately 1,200,000 total items, of which we have identified, through research, 620,000. Across the board, then, we are approximately 50 percent of the way along the road. That is, since it was begun as a common effort within each of the three services.

Senator O'MAHONEY. So that what the Army is doing, and what the Navy is doing, are parts of a common effort?

Mr. BENDETSEN. That is right, sir.

Senator O'MAHONEY. And the Air Force likewise is doing the same thing?

Secretary FINLETTER. That is correct.

CATALOG RESEARCH PROGRAM

Mr. BENDETSEN. I would like to point out, if I may, for example, that each of the services, as Admiral Fox has stated, is not only undertaking this work for what we call its own peculiar item, but in the process of researching peculiar items we find not only within the Army but as between the Army and the Navy and the Air Force, that there are in fact common items between them. We might have an item of equipment that is not used and not required by the Navy or by the Air Force. When we buy it, as Admiral Fox points out, we do not at that moment know what the manufacturer's part number for replacement parts actually identifies. It may be a wrist pin or a ring or a piston or a connecting rod or a cam or a valve or a valve case, or what not, or a spring. We discovered, for example, that many

of those things do happen to fit actually in common with any number of unrelated items which happen to use a piece of metal of the same kind.

DEFENSE CATALOGING SYSTEM

And we, through the defense cataloging system, also feed that information between the departments reciprocally.

In addition to that, as Admiral Fox points out, we try, in cooperation with industry, to get them to reduce and standardize.

In response to your earlier question, Senator McClellan, we have an example of several types of engines used in various equipments, such as compressors, generator power units, or vehicles. If I could give this illustration just at this point, I would like to clarify what we are, on a three-service approach, trying to do. This is one example within the Army, in line with the points made by Admiral Fox, where in the Corps of Engineers of the Army for military-type items, requiring engines, research is paying dividends.

We have accomplished the following in cooperation with industry—as an example, take the first engine—this type of engine which we procure through several sources is a standard commercial engine, which is less expensive than if we were to design a specialized one, that would require a new line of tooling and a wholly different line of parts and all of the rest of it. The engine on the first line is procured from several manufacturers who have utilized pistons in the bore which varied from 2⅞ to 3⅛ inches. For instance, one manufacturer, A, put it out with a 2⅞-inch bore; and manufacturer B put the same engine out, with the same characteristics, but with a 3⅛-inch bore. That called for a total of 154 different parts for that one purpose. We have reduced them to nine, and each of the manufacturers has agreed that in this standard engine they will use one bore size.

Senator O'MAHONEY. Now, you say that called for 154 parts, and who did the calling?

Mr. BENDETSEN. Well, if we bought for a given purpose, from several manufacturers, a standard commercial engine having certain horsepower and certain other characteristics, we found that in order to get them, let us say, as it developed through World War II and the intervening period to date, they were actually produced as standard engines with slight variations. Therefore, if we bought them, in order to keep them in repair and maintain them it required, for this part of the engine alone, 154 parts.

Senator O'MAHONEY. What you did was eliminate the variations by negotiations with the manufacturers?

Mr. BENDETSEN. That is right.

Senator O'MAHONEY. And as a result of these negotiations, for that particular type of gasoline engine, you eliminated so many variations that instead of requiring 154 parts, now you require only 9 parts?

Mr. BENDETSEN. Yes. And in the example I have before you, we have reduced 1,187 parts for gas engines to 63.

Senator O'MAHONEY. Through what period of time has that been done?

Mr. BENDETSEN. It has been done over approximately 2 years, and is coming to a culmination now, so that from now on we will save money, and have succeeded in getting the manufacturers to agree to standardize even though they were competitive.

UNIFIED PROCUREMENT

Senator O'MAHONEY. What progress has been made in unified procurement for common items among the three services?

Mr. BENDETSEN. We have single-service procurement, for example, in the purchase of subsistence. The Army purchases subsistence, or food for the three military services.

Senator O'MAHONEY. That means the Army buys the food for the Navy?

Mr. BENDETSEN. That is right, and the Air Force.

In petroleum, oils and lubricants, they are purchased by the Navy.

Admiral FOX. This very program here, the Army is buying automotive equipment.

Mr. BENDETSEN. Yes, sir, for the three services. And we buy, for example, an important weapon of course, the tank, and the Army buys tanks for the Marine Corps and itself.

Senator O'MAHONEY. Does this mean, then, that under the system which you now are following, it is impossible to have the same item for the Navy, the Army, or the Air Force, purchased at a different price, provided it is the same item?

Mr. BENDETSEN. It is possible to have these differences until you have covered the full range of items; but as to the items we reorder on a continuing basis, in those we have eliminated the price differential. But it is a constant fight. You never complete the task in any given year. As you complete a portion of the task, there lies ahead still further work that has to be done.

Senator O'MAHONEY. I take it since the Army is the purchasing agent for gasoline engines, or automotive equipment——

Mr. BENDETSEN. For automotive equipment, yes, sir.

Senator O'MAHONEY. There is no competition among the three services for that sort of thing?

Secretary KIMBALL. Every major category is covered by single-service procurement; and, that is, every major category, one of the services procure for the others.

Mr. BENDETSEN. We are still searching and working on a cooperative effort for further opportunities to save in that way. We have not found them all, not by any means. Improvement lies ahead of us always in many categories, and sometimes when we turn one up, it is really a beaut. But that does not signify that that is the general condition.

Senator O'MAHONEY. You are trying to eliminate these "beauts," as you say, but I suppose it is quite possible that on a given item which the Army may be purchasing for the three services, different specifications may be submitted by each of the services?

Mr. BENDETSEN. That is right.

Senator O'MAHONEY. I think that was indicated during the hearings last year with respect to jeeps. We found that jeeps were being purchased for the Navy at a very much greater price than for the Army, but on investigation we found that the Navy jeep had to have

equipment which the Army jeep did not have, and it was this specialized equipment that made the difference in the cost.

Mr. BENDETSEN. That is right, sir. There are some differences which are real but not apparent, which make it look as though you are buying the same thing at a different price.

Perhaps at a future moment, when we have time, we can cite exact cases where it looks as though, say, a blanket, for instance, that we are buying a given blanket at four different prices, but they are entirely different blankets for different purposes. We have to buy a blanket for the Medical Corps to use in the field to care for the wounded, and they may have fractured arms or limbs and have splints and other large devices on, to save the arm or the limb, and it has to be a larger and longer blanket to keep them covered. That costs more than the other type, but they look the same.

On the specifications, that is another area to which we are applying a constant effort. We try, and we realize that there is room for improvement, to eliminate unnecessary specifications. It is going on in the Navy, the Army, and so on, where by reason of the specification, not realized at the time, you require some end item to cost more than it really has to. And so we are reviewing them constantly. That is a definite part of the same general effort.

Senator MCCLELLAN. Let me ask you a question right at that point, Mr. Chairman.

Senator O'MAHONEY. I had already recognized Senator Saltonstall, if you do not mind.

Senator SALTONSTALL. I remember very well, Mr. Bendetsen, when Mr. Forrestal first testified on this general subject. Just very briefly, could you tell us this: First, are you making your new design, so to speak, new specifications, so as to fit into this plan just as far as you can; and, second, just to make the record complete, what efforts are you making to get your inventory names and specifications to correlate, we will say, with the English and the French, who are buying the same sort of stuff? Do not go into detail on that, but I would like to know the answer to it.

STANDARDIZATION PROGRAM

Mr. BENDETSEN. Without going into detail, under the Munitions Board, where the across-the-board cataloging effort comes to a common point for the three services, there is also alongside of it under the direction of Admiral Fowler, a standardization unit. That standardization unit has the responsibility for that kind of coordination on screws and bolts and spare parts, and thousands of other items. And we are trying to work it out on a day-by-day effort with the other people you described, so it is a continuing effort, not only within the Department, but between all of those you referred to. They are side by side in the same office under common directorship, in order to take full advantage of the research Admiral Fox has described, where you do identify something as being really the same, although apparently different, and these people transmit it across the board to try to bring about the same result on a broad front.

Senator SALTONSTALL. With our friends in the other countries, too?

Mr. BENDETSEN. That is right. Standardization with other countries too.

Secretary KIMBALL. The problems of translating these things to other countries is very difficult, because they have a different system of measuring.

Senator SALTONSTALL. That is a left-handed screw instead of a right-handed screw?

Secretary KIMBALL. That is right.

PURCHASE OF LUXURIOUS CHAIRS

Senator MCCLELLAN. I think it was last night, or one evening this week at least, I heard some commentator on the radio, or I read it in the paper, and I think it was a radio commentator, reported about the Air Corps submitting an order for a lot of chairs, typists' chairs for stenographers, at a cost of $28 each. I assumed it was a sort of a luxury chair, because the other services, and the offices here and the various departments, and the Senate Office Building, and so forth, their chairs for stenographers cost about $18.

I am wondering how much research goes into this effort to find more luxurious equipment for the services in some particulars on these ordinary items? We are speaking about research now. I do not know that that report is true, but if it is, it is that sort of publicity, if it is warranted, that is causing people to think that the armed services of this country are the most wasteful institution the Nation has ever had. There must be an effort to correct it, and certainly a sincere effort and purpose on the part of this committee to refute it, if those things are not true.

I do not know whether this instance that I have referred to is a factual case, but it is going out over the air and in the press that such things are happening, and it is definitely creating the impression among our people that today the military is the most wasteful and indifferent to economy of any agency the Government has ever had.

Senator O'MAHONEY. Here is your opportunity, Mr. Secretary.

Secretary FINLETTER. I think what the Senator has said is true. I think what you read in the papers is nothing but the opposite of what is being given to this committee by the admiral.

As far as this——

Senator MCCLELLAN. Pardon me, Mr. Secretary, I simply believe that it is the duty of this committee to develop these facts and refute those things that are not true, because they are doing great harm.

Secretary FINLETTER. I think that that would be most helpful, Senator, because what we want to get out is the truth.

As far as this story about the chairs goes, I saw it for the first time in the paper this morning, and I simply have not gotten the information to inform the committee about the facts of it. It may be it was a mistake, or it might not be.

But I would like to say that I am very appreciative of the Senator's attitude in suggesting that we get out the facts about this matter as opposed to stories of what may have happened in the past, or even stories that reflect no credit on the Military Establishment now.

I think the admiral is making an excellent case to show this is a pretty complex operation, and that the Navy has been very alert to this problem since 1945; and the admiral, as he says, has given more stories of buying which was wasteful than have been produced yet,

but he has shown how they have been corrected in the past. He has said that the program is a continuing one; that the Navy is trying to catch and avoid any repetition of this matter in the future. But he is also saying that this is such a big enterprise that it is impossible to catch them 100 percent.

Senator O'MAHONEY. Well, Mr. Secretary, may I interrupt to say that an item like stenographers' chairs would obviously be an item subject to common buying, unitary buying for all three services.

Secretary FINLETTER. I should think so.

Senator O'MAHONEY. Does anybody here know which service buys chairs?

Admiral FOX. GSA.

Mr. BENDETSEN. We buy them through the General Services Administration.

Senator O'MAHONEY. Now, you buy them through GSA. Does that mean all three services have common specifications for chairs?

Secretary FINLETTER. That is the point, Mr. Chairman, and that is the point which is the dubious one, and that is the one we must find out about, that is, as to whether it is the GSA which controls the specifications or whether the services do, and whether there has been any wrongful designation of the services, and whether there is any fault in the system.

Senator O'MAHONEY. It is a fault that GSA does have certain functions for central procurement.

In order that this record may be perfectly clear, I will ask you, Mr. Secretary, to have prepared for the record an authentic statement with respect to whether or not the Air Force has ordered what has been termed as a luxury chair different and more expensive than the chairs ordered by other services for the same purpose.

Secretary FINLETTER. We will furnish that.

(The information referred to follows:)

STATEMENT OF SECRETARY FINLETTER

I have the following information on the procurement of chairs referred to by the Procurement Subcommittee of the Committee on Armed Services of the House of Representatives.

The two chairs referred to in the report are the subjects of General Services Administration specifications Nos. 791 and 793 and are standard items for Government procurement.

The more expensive chair is GSA No. 791. It is considered to be of better quality. General Services Administration has advised us—

"Chairs of this design and structural characteristics have a much greater life expectancy and in addition afford a much greater degree of comfort, require less maintenance and repair service and replacement of parts."

The less expensive chair, GSA No. 793, is not of uniform quality. As the specifications are less rigid, several varieties of chair will meet the specifications.

We are in the process of procuring chairs to meet a backlog of existing requirements. Experience has shown us that at times we can procure GSA No. 791 chairs at a price only slightly higher than the price of GSA No. 793. At other times the price differential is substantial. We have considered it economical to buy the better grade chair when the differential is small because it will save money over the life of the chair. When, however, the differential is increased, we have bought the cheaper chair.

In our present procurement of 20,156 chairs, we have received bids on both chairs. The lowest bid on GSA No. 791 is $1.13 more than the lowest bid on GSA No. 793. The difference in the total price of the 20,156 chairs between the two types on the basis of these bids is $22,776.28. In the interest of a further testing of the market, we are now seeking additional bids on GSA No.

793. When these bids are received, we expect to evaluate the price differential against the difference in quality and the lifetime cost of the chair. Only then will we decide which chair to buy. Disclosure of the amount of the bids at this time would defeat our purpose in securing additional bids. The bids on both types of chairs are, however, within the normal range for GSA No. 793 chairs alone.

Although General Services Administration provides the specifications and thereby standardizes the chairs, it does not expect the military departments to use its facilities to buy large quantities for field use. Central buying of such quantities does not afford any price advantage in this type of purchase as long as the specifications are standardized.

A review of our chair purchases and of the present procurement referred to in the report supports the soundness of our procurement policy. We have readily departed from our standard, GSA No. 791, when we consider a saving to the Government will result. At the same time, we are in a position to buy a more durable and longer-lasting chair when the market is advantageous and an ultimate saving will result.

Senator McClellan. Regarding the General Services Administration, while you may purchase the chairs through the General Services Administration, it does not have the authority to overrule a specific order for chairs in the event, we will assume, that the Air Force set up a certain design for chairs and said, "We want 25,000 chairs like this design, according to these specifications," and it has no authority to overrule the requisition, has it, of the Air Force? But it would simply proceed to try to obtain the chairs as requisitioned?

Secretary Kimball. The service that procures the item generally sets up the specifications.

Senator McClellan. That is the point I was making. And if you sent in an order like that, although you buy it through the General Services Administration, the General Services Administration would not have any authority to say to you, "You cannot buy that chair, if that is what you want to buy. We will buy it for you." It cannot compel you to take the chair that is in ordinary use, can it?

Mr. Bendetsen. I cannot speak directly to the item of chairs, because I do not know about it, but I can say this: In addition to the effort already described underlying the process of cataloging, that difference can best be illustrated by comparing it to the difference between writing a book and having it printed. The underlying task of the research is that base; and when it is all done, then you print something.

STANDARDIZED FEDERAL CATALOG

We are tying into a Federal catalog, and the result of that is aimed at requiring that you do buy only a standard item, so that when we order something we have to order the standard item, and GSA can only buy it.

Now, that is not completed, and it will take some time to complete the task.

Senator O'Mahoney. Office equipment ought to be subject to easy standards.

Mr. Bendetsen. There should be no exceptions to it, and we fully support that.

Senator Knowland. I think the facts will speak for themselves, and certainly it should not be prejudged. I heard the same radio program, driving down, I think, this morning. The Secretary is going to get that information for us.

It would seem, however, that with all the problems we have in getting adequate fighting material, that a standardized stenographer's chair should be available to the three services; and I would think a stenographer, whether she worked at the Army, the Navy, or the Air Force, could operate from the same kind of a chair, and if it was necessary to change it, it would be changed on the basis of perhaps supplying the entire Federal service.

Mr. BENDETSEN. I concur in that, Mr. Senator.

DISCUSSION ON CHARGES OF WASTE IN ARMED FORCES

Senator KNOWLAND. On the other hand, I do think it is true that the newspapers have been helpful in perhaps bringing for the first time to the attention of Congress, items which might have otherwise escaped our attention. So I would like to withhold judgment, at least until the Secretary has had a chance to give us a full report.

Secretary FINLETTER. May I comment on that, Mr. Chairman?

I would like to say that I appreciate the Senator's position on this, but I do hope that the singling out of individual items will not becloud the purpose of this presentation, which is to show that a real effort is being made to make buying efficient. We are not claiming it is perfect, by any means, at all, but the purpose of this presentation, which I personally have always been very much impressed by, is to show that the services are really trying to do this sort of thing.

Senator KNOWLAND. The only point, if I might make it here, Mr. Secretary, we are certainly not unmindful of the very fine work which has gone on and which has been outlined by the admiral and Secretary Bendetsen and yourself. However, as I think it was pointed out by Senator Chavez and Senator McClellan, there are some of these items which cause the public a great deal of concern, and we have a responsibility to run them through to the end.

For instance, there was the one—and this can be an impartial discussion this morning—of the coffee that was used instead of sawdust, presumably by the Army. That may have been an entirely erroneous report. There may have been reasons for it; that the coffee was just unusable for human consumption. But at least, when those reports get out and the public reads them, they get the impression that there is perhaps more widespread waste, and it tends to offset the very good work which you all have presented here today. And I think we have a responsibility to run those down, even though they may be somewhat isolated.

Senator CHAVEZ. As far as I am concerned, and I think the committee probably feels the same way, I think Admiral Fox and the Secretaries are making a wonderful effort here to show us that they are trying to not be wasteful and to economize. But no matter what you boys do here before the committee, unless stories such as the one that came out, supposedly from Wright Field, are refuted before the American public, whatever you do here will not amount to very much as far as the public is concerned.

Secretary FINLETTER. I think that that is a very helpful statement, I do want to emphasize my concern about one point. That is that once stories—whether it be stories of office chairs which I do not know about, or stories about the coffee that I do know about—get out before

the public, they may be wrong and they may be right, but the mere fact that the charge is made means that for all practical purposes they are accepted as right. And where I possibly might differ from Senator Chavez, I question whether it does much good to deny them.

Senator CHAVEZ. Not deny them, but you can refute it and show that it is not so. Because here is Admiral Fox trying to make an honest and sincere attempt to prove to a committee that has to recommend the moneys for those expenditures, and trying to show us that the Navy and the Army and the Air Corps are trying to do a good job, and I am satisfied as to that.

INVESTIGATION OF COFFEE WASTE

Secretary FINLETTER. But the public is another question.

I think this coffee is worth spending a moment on, if I may, Mr. Chairman, because certainly I think that that is probably one of our more publicized items. I think that most people believe that the Air Force stocks up with coffee and puts it on the shelves and then has so much of it that it throws it around the floor and wastes the taxpayers' money.

Now, on that particular item, it is very brief here, and I would like to read the official report that was made on that coffee item. This report was made by the Deputy Commander of the Strategic Air Command.

The allegation was, as you know, that a sergeant in charge had stated that there were 400 pounds of ground coffee on hand, and that that was thrown around the floor and used to sweep up things. Now, here is the reply on that:

> The mess referred to, the Air Police Squadron mess, operates on a 24-hour basis and feeds the Air Police Squadron garrison's prisoners and transient airmen at Carswell. The total daily average of men utilizing this mess is 700. The statement concerning oversupply and misuse of coffee apparently relates to this mess.
>
> In view of the number of men fed, average 700 per day, this quantity of coffee is roughly a 6-day supply, based on the approved factor of 10 pounds per hundred men for three meals.
>
> At no time did ground coffee remain on the shelf for an excessive period of time. With reference to the alleged use of the coffee as a sweeping compound, there is no evidence that any coffee has been so used or discarded because of age or spoilage, nor has any coffee been used for any purpose other than that for which it was intended.

Now, sir, I merely take the time of this committee to read that just to say here is a report made after an examination by a responsible officer, of that fact. I put it before the committee, not with any thought that it will do very much good except with members of this committee, because I think the story that this story is not true is not very newsy.

Senator MCCLELLAN. May I make a brief comment at that point? I do not quite agree with the Secretary that giving out the truth is not of any particular benefit. If the public is to get only the false and erroneous information, the public is going to judge solely upon that basis, and they cannot be blamed for it. I think it is the responsibility of the responsible authorities of the military, or any other agency of Government, to give the people the truth, and to refute any false accusations or erroneous information that reflect upon or tend to discredit that agency or that institution.

While I make that comment, I want to make this other observation: You take the chair case. It may be wholly untrue, but if it is found to be true there is a responsible official in that line of authority that you have in command who deserves censure for it, and he has no sense of responsibility to his country in this time of economic stress if he will resort to those things simply to spend more of the taxpayers' money and simply to get a luxury item that is more comfortable, that other services are not using.

Senator O'MAHONEY. I am glad that Senator McClellan has made this statement, because I think it is important that the armed services take every opportunity to investigate and report upon these charges. I am aware how burdened each one of you gentlemen is, but in this particular case, Secretary Finletter, it is evident from the fact that you read from an official report, that you were sufficiently concerned about it, or the Air Force was sufficiently concerned, to order an investigation.

Now, may I ask you, was this an investigation of the particular report to which reference has been made?

Secretary FINLETTER. Yes; it was.

Senator O'MAHONEY. At the particular mess hall where the coffee is supposed to have been used as a sweeping compound?

Secretary FINLETTER. It was.

Senator O'MAHONEY. Was it ordered by you or any other responsible official in Washington?

Secretary FINLETTER. The initiative was taken by the Strategic Air Command under whose jurisdiction the matter came, and whether or not they were told to do it by the Air Staff I do not know.

Senator O'MAHONEY. But it was taken by the responsible official in charge of or having under his jurisdiction the particular place where the abuse is alleged to have taken place?

Secretary FINLETTER. Yes.

Senator O'MAHONEY. The investigation was made by whom?

Secretary FINLETTER. General Kisner, Deputy Commander of the Strategic Air Command. He signed the report and directed it.

I want to make it entirely clear, as far as I am concerned, and the rest of the agencies feel the same.

Senator O'MAHONEY. Are you personally satisfied that this was a thorough investigation, and that the facts did not justify the original charge?

Secretary FINLETTER. Yes, sir; I am.

Senator O'MAHONEY. And that is what you wish this committee to understand?

Secretary FINLETTER. Yes, sir; it is.

Senator O'MAHONEY. This alleged use of coffee for an improper purpose did not and could not, in your opinion, have taken place at any other station except the one which was—the alleged one, I mean—it did not refer to any other place?

Secretary FINLETTER. No, sir. To the best of our information it referred to this particular base and this particular mess.

Senator O'MAHONEY. Now, may I say this: I know we have kept the admiral on his feet for a long time, but I have said to Secretary Lovett and to some of the others, in my personal judgment it would be very helpful if some of you gentlemen would do a little table thumping once in a while when false charges are made.

You are quite right, Mr. Secretary, when you say that the denial is never as newsworthy, perhaps, as the charge; but you can make the denial newsworthy if you wish to do it by, as I say, a little table thumping or raising of the voice. I think sometimes you gentlemen are a little bit too mild-mannered in meeting these charges.

INVESTIGATION OF OYSTER FORKS PURCHASE

Admiral Fox. May I have just a moment? I would like to reply to Senator McClellan, and I certainly agree with him that wherever the responsibility is placed, we have to share it. But I would like to see developed some means by which people who put out false rumors could be made to share the responsibility for those rumors. I stand before you as Admiral "Oyster Forks" Fox; I was publicized from coast to coast as the admiral who bought oyster forks instead of bullets. I had no more to do with buying the oyster forks than any one of you gentlemen did, and that is a matter of record in the Congressional Record. Nevertheless, less than 2 weeks ago it was again referred to over a Nation-wide broadcast, in these words:

An admiral who would buy oyster forks instead of bullets is guilty of sabotage.

Senator SALTONSTALL. Who did buy the oyster forks? And I am trying to help you.

Admiral Fox. It is a long story, Senator Saltonstall. The first thing that hit the air waves was that the Navy had 11 million dozen oyster forks in surplus.

As Mr. Mahon, the chairman of the House Appropriations Subcommittee, put it in the record on the floor, he took his pencil and his paper and computed it, and he found out the facts were 99.9 percent maccurate. The Navy actually had 10,000 dozen oyster forks at the time.

Senator KNOWLAND. How many new oyster forks had been bought?

Admiral Fox. The Navy had bought none since 1943, and at the time they were bought, I was out in the Pacific on the U. S. S. *Enterprise.*

Senator O'MAHONEY. I remember Congressman Mahon made reference to that when he presented the appropriation bill to the House last year, and officially and directly denied the story. He found you not guilty.

Admiral Fox. The point I want to make—as far as I am concerned, I have had a lot of fun with other people, and this one is on me, and I like it; but the point I would like to make is that when the truth came out, it did not make headlines, nor, to the best of my knowledge, was it published in the press. I have received "fan mail" from as far away as France, ribbing me about it. One fellow wrote from down in Arkansas, the Senator's State, and he said:

I suppose we will have to wait until you give them to the British, and then we can buy them from them, but I would like to get a couple of dozen of those oyster forks.

Senator MCCLELLAN. A point of personal privilege, Mr. Chairman. I am very glad someone from Arkansas wrote you a letter of that kind, because that just emphasizes how many I get, similar letters, wanting to know why we cannot do something about it. And that is why, in a spirit of cooperation and not in a spirt of antagonism, I

think we need to develop these things and get as much of the truth to the public as it is possible to get, because where you get one letter from Arkansas, I get hundreds, saying "What are you letting this go on for?"

I have got to go back there and see these people and talk to them about getting votes, and you do not. You have a career. And my career is hazardous, and I want to find out for them, and I want to get the truth to them.

Regarding this chair incident, I am advised now that this is information given out by a House committee conducting an investigation yesterday, and the report was not the views, necessarily, of the commentator, but it is information that was somewhat accurate and official from a congressional investigation.

I do not know that it is true. I mean, it may develop like the coffee incident, and it may be wholly untrue when the case is thoroughly investigated. But I cannot believe that we do justice to you or meet our responsibility to the country to let these false accusations be made if they are false, and not do anything to refute them and get the truth to the people.

Admiral Fox. Without casting any reflection on the committee—I have to appear before them—but did the House committee check with the Air Force before the story was given to the press?

Senator McClellan. I cannot say as to that, and I only mention it because what you are doing here and what you have testified here on your program seems to be most commendable, to me, and I applaud you for doing it and I am not questioning that; but I do try to point out that while that is fine, and let us carry out the program, an officer who has the responsibility for purchasing those chairs who would spend his time and research trying to devise a more luxurious chair, and his command and employees must have something much better that than in common use, seems to me to be most reprehensible in this period of world crisis.

Senator O'Mahoney. If it is a fact, you mean.

Admiral Fox. And if it is not a fact——

Senator McClellan. Then we want to refute it before the world.

Admiral Fox. Is there not some other responsibility; regardless of who put the story out, is there a motive for putting it out?

Senator McClellan. Yes, sir, and we have that same problem as Members of Congress. Our denial of charges made against us gets just the same ratio of publicity and headlines as your denial. We are confronted with the same problem, and we are in sympathy with you when the charges are erroneous or false.

Senator O'Mahoney. May I go back to the oyster forks for just a moment, Admiral, and ask you of what material those oyster forks which you actually did have in stock were made?

Admiral Fox. They were made out of carbon steel, very poor grade, the specifications for which were dictated by the War Production Board of the last war, plated on carbon steel. And, in my own opinion, they were not worth the money paid for them.

Senator O'Mahoney. They were not silver oyster forks?

Admiral Fox. Oh, no; we have no silver oyster forks.

Senator O'Mahoney. That is the inference that many people draw.

Admiral Fox. Even our good oyster forks are plated silverware, just about the same grade found in Child's Restaurant. We have no silver, we have plated ware.

Secretary KIMBALL. What do the forks cost that we buy now?

Admiral Fox. The forks in question were 18 cents.

Senator SALTONSTALL. What I was going to try to bring out, just very briefly, is that you say there were 10,000 dozen. That is 120,000 oyster forks for a Navy of 1 million men or 960,000 men. Should you have any, or why have any oyster forks?

Admiral Fox. We have deleted them under the present circumstances. It is not an item that is essential. First, let me say that they are not issued to the enlisted men's messes; they are for the officers' messes.

Senator SALTONSTALL. So that you should really be designated as a "no oyster forks" admiral, rather than an "oyster forks" admiral.

Admiral Fox. I love oysters, Senator.

Senator O'MAHONEY. When was the last purchase made?

Admiral Fox. 1943.

Senator O'MAHONEY. And it has nothing to do with the present preparedness program?

Admiral Fox. No, sir.

Senator CHAVEZ. I want to clear one thing with the Admiral. I think what the Admiral wanted to emphasize was that whoever starts these rumors, whether he be a civilian or a military man—in the instance of the coffee, I think it was said here that it could have been a sergeant; is that correct?—you mean to say that there should be some responsibility for starting those false rumors. Was anything done in this instance with the sergeant who started the rumors?

Secretary FINLETTER. I cannot tell you about that. I can tell you about that investigation.

Senator CHAVEZ. Does the report indicate that the sergeant was consulted or conferred with or brought before the officer, and did he made a denial or did he stick to his story?

Secretary FINLETTER. I cannot tell you the extent to which the sergeant was interviewed by the investigating team. I will check that in the report. I can give you some of the details of the investigation, if you wish.

Senator CHAVEZ. I want to know what the sergeant said. If he did not say anything, all right.

Secretary FINLETTER. I can read you from the report, sir, as to what the investigation was.

Senator CHAVEZ. No, I just want to know, does the report contain anything with reference to the sergeant, whether he appeared before the investigating board? If he did start the rumors, and he was wrong, what was done about it?

Secretary KIMBALL. All of these rumors, sir, very seriously concern all of us, and we realize you have to do something about it; but I would like to say that we have a great many competent business people, and the finest in the country, that come in at regular intervals and look at everything we are doing, and we take all of the suggestions we can get from them; and they invariably come in and after a full and complete look, they tell us our business is well run.

Now, we have, in the course of all of these investigations that we have, tried to improve it. We have thousands of things that we find we can do better every day. I have a report here that we just got from the marine depot in Philadelphia, and they have 52 recommendations how we can run that place better.

Now, those things are common practice, but on the whole this business is run as well as any big corporation in the country, and it is run just as carefully, and I think much more carefully.

FURTHER DISCUSSION ON COFFEE WASTE

Senator CHAVEZ. I understand that, and I am pretty sure you are making a good case; but here we have an isolated case wherein a sergeant is supposed to have said that 400 pounds of coffee were spread out as sawdust.

Admiral FOX. As I recall the article, he was not identified, and it just said "a sergeant."

Senator CHAVEZ. Now, the report ought to show whether a sergeant did or did not say that.

Admiral FOX. You would have to first identify him.

Senator CHAVEZ. Was that not the duty of the officer who made the investigation, to try to identify him?

Admiral FOX. I presume out of 700 men a day, they have a lot of sergeants, and it would be difficult; and this is, as I understand it, an air terminal where you have a great many transients going through. The fellow who started the story, there is where the responsibility comes in. If he will identify where he got the information from, I think the two of them must share it. First, he got information that he broadcast, and gave another unwarranted kick to the American morale, which is pretty low.

Senator O'MAHONEY. Can you answer the question, Mr. Secretary?

Secretary FINLETTER. I am reading now from a memo from the record, signed by Major Braswell:

> The undersigned spoke to Colonel Maxwell, the commanding officer of Carswell Air Force Base. Colonel Maxwell stated that after the report was published, all mess supervisors and sergeants at Carswell were called in, and none such personnel told the investigator that any of the supply of coffee was either old or would be used for a sweeping compound. The charge was not that it was used, but that it would be used. They stated that no coffee was used as a sweeping compound, nor has there been any coffee becoming over-age.

Senator CHAVEZ. That answers the question.

STATEMENT BY CHAIRMAN REGARDING PRESENTATION

Senator O'MAHONEY. I feel that we owe an apology, in a certain degree, to the three Secretaries, but the responsibility is due wholly to Admiral Fox, who gave us such an interesting presentation of the cataloging work which the Navy has undertaken, that we gave the whole morning to the admiral.

I remember very well your presentation a year ago. It was of the very highest order then, as it was today, and I want the record to show that the admiral appeared before this committee without a note in his hand. He did not read a manuscript, and he made a presentation clearly and definitely, lucidly, responding to every question that was

directed to him in such a manner as to show that he had complete knowledge of the job which had been placed upon his shoulders.

Personally, admiral, I feel that you are to be congratulated for the presentation that you made here today, and even though it made the Secretaries sit around here without a chance to answer the questions we had intended to ask them, I think it was decidedly worth their while and worth the while of the committee.

It was our intention to have had an executive session today at which members of the committee would have had the opportunity of questioning the Secretaries with respect to the manner in which the budget was developed.

The significance of the responding to these stories of waste and extravagance is made clear when we consider the fact that the military budget before us is, as we all know, in excess of $52 billion; that to raise that money, which constitutes considerably more than 60 percent of the total budget for 1953, it has been recommended that there be an increased tax burden placed upon the American people. Naturally, people do not want to pay taxes if there is waste of military supplies. That is one of the reasons why it is so important that this committee go in detail into all aspects of the procurement problem, and the committee will do that in detail.

It is also important for us to make it clear to the Congress and to the people that if a deficit is to be incurred, it will be incurred only because the national security makes it essential and that the deficit is free from wasteful expenditure.

The committee will go into all of these matters when we come to examine the justifications for each of the departments.

As you all know, I called this public session, not for the purpose of examining the justifications, but for the purpose of determining upon what principles the judgments were made which resulted in fixing this figure of $52 billion-plus. We want to know whether we are getting the right things for the money that we propose to spend. We want to know whether conventional weapons are being used and whether we are being guided by tradition; or whether we are, on the other hand, taking the best advantage of applied science, as Secretary Finletter referred to it yesterday, so as to get the most modern of all weapons and the most effective and most efficient of all weapons if we have to go into a third world war.

It will be impossible to conduct that session today. The Chair has another committee assignment for tomorrow, Friday, and Saturday, so that we will try to fix a date that will be convenient for the secretariat sometime next week.

REPETITION OF CHARGES OF WASTE

Admiral Fox. Mr. Chairman, I had hoped to show you the rest of this program; it is just repetitious of the high prices we have paid, and research and getting down to low prices. What we had hoped to convince you of was that this is a program to save taxpayers millions of dollars. I think perhaps everyone in this room has seen news articles recently of charges that we have wasted through our failure to catalog, $5 billion a year. In fact, I read in the Congressional Record on Saturday it had gotten up to $8 billion.

I would like to inform you, Mr. Chairman, that the Navy in 1951, in this type of material, that which has been cataloged or is susceptible of being cataloged, spent less than $1,500,000,000; and assuming we have about a third of the program, I challenge the statement that the three Departments wasted $5 billion, or spent $5 billion let alone wasted them.

Senator O'MAHONEY. Thank you very much, Admiral. That is the sort of positive statement that might make the press.

The following information, which was requested earlier in the hearing, has been furnished by the Department and will be inserted in the record at this point:

MAID SERVICE IN OCCUPIED AREAS

(See pp. 73–74, also pp. 193–194.)

ASSISTANT SECRETARY OF DEFENSE,
Washington, D. C., February 26, 1952.

Hon. JOSEPH C. O'MAHONEY,
United States Senate,
Washington, D. C.

DEAR SENATOR O'MAHONEY: In response to the questioning of your committee, the Department of the Army reports that the furnishing of quarters attendants and servants to military and civilian employees of the United States Government began at the cessation of hostilities in occupied Japan and Germany. In both occupation areas, wages paid to the household servants came from the yen or deutschemark budgets of the country concerned and were considered a part of occupation support costs assessed against the country. This practice was terminated in Japan (Far East Command) on July 1, 1951. Since that time servants have been paid by military and civilian employees from personal funds.

As of October 31, 1951, 17,200 quarters attendants and servants were being supplied by the Germany economy to the military services in Germany for military and civilian personnel. The average pay per employee based on the current official rate of exchange is about $37.50 per month. For several months the household servant problem has been under study along with the many other matters related to completing a contractual arrangement with the German Government.

In no case have direct United States appropriations or nonappropriated funds of the services been used to defray the expenses of the servants supplied to military and civilian employees.

Sincerely yours,

W. J. MCNEIL,
Assistant Secretary of Defense.

SCREENING AND APPROVAL OF CONTRACTS

(See p. 13)

DEPARTMENT OF THE ARMY

1. The screening and approval of contracts is performed only to the extent necessary to insure that the interests of the Government are protected. In a local purchase of under $1,000 this operation consists of a check to insure availability of funds and signature by the contracting officer. No further review or approval is necessary or required.

2. An extreme case at the other end of the scale may be a highly complicated contract for many millions of dollars worth of supplies. Submission of the proposed contract for approval of award to the General Staff under such circumstances is normally required. Three phases of review are normally involved in such cases, i. e., Field Procuring Office, Office of Chief of Technical Service, and General Staff reviews. At the field level the negotiator, his immediate supervisor, the board of awards (3 to 5 individuals), review the contract and make legal, fiscal, and price analysis checks. In the Office of the Chief of Technical Service a legal, price analysis and policy review are performed. At the General Staff level a legal, policy, and general price review are similarly made. If approved,

the contract is then executed by the contracting officer in the form approved. In a very limited number of cases involving contracts under title II First War Powers Act or personal services contracts an additional policy review by the Procurement Secretary of the Department of the Army is required. On the average, this involves four people.

3. Even in the most extreme cases it is highly improbable that 90 people would ever be called upon to review or check any contract. A figure of 30 individuals in these extreme cases would be a more realistic estimate.

Jeep Contract—Willys Overland, W–20–089–ORD–4758, dated July 20, 1949

1. Date of appropriation by Congress: June 28, 1948.
2. Date funds allocated to Ordnance: June 28, 1948.
3. Date of Ordnance procurement directive to field (production order): July 26, 1948.
4. Date of request for quotation:[1] October 25, 1948.
5. Date of initial expenditure: December 28, 1950.
6. Date of final expenditure: Not effected.

Skysweeper Contract—Sperry Gyroscope Co., DA–30–069–ORD–1, dated December 28, 1949

1. Date of appropriation by Congress: October 29, 1949.
2. Date funds allocated to Ordnance: October 29, 1949.
3. Date of Ordnance procurement directive to field (production order): November 18, 1949.
4. Date of request for quotation:
   (*a*) As a result of meeting on July 6, 1949, between contractor and district personnel, contractor submitted his proposal under date of July 29, 1949, subject to availability of funds.
   (*b*) Letter order was issued under date of December 27, 1949, and accepted by contractor on December 28, 1949.
5. Date of initial expenditure: June 22, 1950.
6. Date of final expenditure: Not effected.

Field wire, WD No. 1, Contract No. DA 36–039–SC–4785, dated July 25, 1950

1. Date of congressional appropriation: September 1950.
2. Date funds allocated to Signal Corps: September 1950.
3. Date of Signal Corps procurement directive (issued subject to the availability of funds): July 12, 1950.
4. Date of contract: July 25, 1950.[2]
5. Date of initial expenditure: November 17, 1950.
6. Date of final payment.[3]

Soap ordinary issue—Contract No. DA 30–280–QM–10411, O. I. 11497, dated February 13, 1951

1. Date of congressional appropriation: September 2, 1950.
2. Date funds allocated to Quartermaster Corps: January 10, 1951.
3. Date of Quartermaster Corps procurement directive (issued subject to the availability of funds): December 13, 1950.
4. Date of Contract: February 13, 1951.
5. Date of initial expenditures: April 19, 1951.
6. Date of final payment: August 2, 1951.

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[1] The steps involved in this were:
   (*a*) December 27, 1948: Findings and determination from OCO authorizing negotiation.
   (*b*) March 31, 1949: Willys proposal received.
   (*c*) April 29, 1949: Revised proposal received.
   (*d*) May 4, 1949: Date of request for approval of award.
   (*e*) May 31, 1949: Notice of award to Willys.
   (*f*) July 20, 1949: Contract signed.

[2] Although the date of congressional appropriation is shown as September 1950, Congress made a certain portion of the over-all funds available prior to September 1950. This was done on a month-to-month basis and this contract was within this monthly appropriation.

[3] Contract not complete. $2,079,000 has been paid against a total contract price of $2,917,000.

DEPARTMENT OF THE NAVY

The number of persons who approve procurements during the procurement process varies in relation to the complexity of the material being procured. In a local purchase of small dollar value (less than $1,000) normally only one initial and one signature are required. On the other hand, in the procurement of technical material of large dollar value up to 48 approvals (32 initials and 16 signatures) are required from the time preparation of the procurement request, or requisition is initiated until the issuance of the covering contract. Approvals required in these cases include those of fiscal, legal, security, technical, clearance, and procurement personnel, among others. The contractor's signatures on his proposal and on the contract are included. The attached enclosures show these approvals in some detail for certain of the more complex technical procurements.

The number of days from the time preparation of the procurement request or requisition is initiated until the covering contract is issued also varies in relation to the complexity of the material being procured. The time element will vary from less than a week in the case of small local procurements to 210 days in the case of the most complex procurements. The enclosures show the various time phases in detail for representative technical procurements.

The length of time which may elapse between the date on which funds are appropriated by Congress and the initiation of the procurement process will vary depending on the type of material being procured and other factors.

Bureau of Aeronautics aircraft components

Phase	Number of initials	Number of signatures	Time
			Days
Request for proposal preparation	2	1	30
Contractor proposal submission		2	45
Purchase authorization (procurement directive preparation)	4	2	44
Proposal review	6	6	13
Negotiation (including ONM clearance)	4	5	35
Contract preparation	5	2	43
Delivery			Various
Total	21	18	

NOTES.—(*a*) It is to be noted that the bulk of the airframe program (about 50 percent of BuAer funds) is ordered from the contractor within 30 days after the funds are released. The figures given in the table reflect the average time for aircraft components whose funds represent the remainder of BuAer funds.

(*b*) 3 months to 3 years represent the spread on aircraft component delivery. The average time for airframe delivery is 18 months and for components, 15 months.

Bureau of Ships complete vessels

Phase	Number of initials	Number of signatures	Time
(*a*) Purchase authorization	5	1	1 to 6 days.
(*b*) Request for proposal preparation	5	1	7 to 14 days.
(*c*) Contractor proposal submission	0	[1] 1	30 to 45 days.
(*d*) Proposal review	1	4	7 to 42 days.
(*e*) Negotiation (including ONM clearance)			
(*f*) Contract preparation	1	2	7 days.
(*g*) Delivery			4 months to 4 years.
Total	12	9	

[1] By each bidder.

Notes on the foregoing table:

(*a*) The variance in step (*a*) depends on whether the case is hand carried through various intermediate sections, as many ship procurement requests are, or is routed through the mail system with no indication of urgency.

(*b*) The variation is based on the relative urgency of the transactions.

(*c*) This time is that which is allowed for preparing bids and is determined by the relative complexity of the vessel and the consequent difficulty in preparing bids.

(*d*) and (*e*) These two steps completely overlap in time. The wide variance is based on differences in the complexity of the award. The largest contributing factor to the longer period is the time taken, particularly where we are making multiple awards to a number of small business concerns, to conduct surveys of the technical and financial ability of the bidders.

(*f*) This 7-day period may almost entirely overlap the period during which the business clearance is awaiting approval, covered in (*e*).

(*g*) Delivery time can vary from 4 months for a whale boat to 4 years for the CVB59.

Bureau of ships, electronics

Phase	Number of initials	Number of signatures	Time
(a) Purchase authorization	12	2	7 to 50 days.
(b) Request for proposal preparation	5	1	7 to 14 days.
(c) Contractor proposal submission	0	[1] 1	30 to 45 days.
(d) Proposal review	4	4	7 to 42 days.
(e) Negotiation (including ONM clearance)			
(f) Contract preparation	3	2	7 to 14 days.
(g) Delivery			2 months to 3 years, average 2¼ years.
Total	24	10	

[1] By each bidder.

Notes on the foregoing table:

(a) The variance in step (a) depends largely on whether specifications are available at the time the procurement request is originally prepared. If not, the longer period may be required.

(b) The variation is based on the relative urgency of cases.

(c) This time is that allowed for preparing bids and is determined by the relative complexity of the equipment and the consequent difficulty in preparing bids.

(d) and (e) The time consumed by these two steps usually completely overlaps. The largest contributing factor to the longer period would be the time taken for conducting surveys as to the financial and technical ability of the bidders and in working out and evaluating technical modifications in bids.

(f) This period may overlap, in substantial part, that portion of step (e) covering the approval of business clearance.

(g) Delivery time can vary from 2 months for a very simple device to 3 years, or possibly longer for complex electronic systems. It is believed that the average is between 2 and 3 years.

Bureau of Ordnance—Ammunition

Phase	Number of initials	Number of signatures	Time
Purchase authorization	13	5	2 weeks.
Request for proposal preparation	9	2	1 week.
Contractor proposal submission		1	30 days.
Proposal review			1 week.
Negotiation (including ONM clearance)	5	5	2 to 4 weeks.
Contract preparation	5	3	4 weeks.
Delivery	XXX	XXX	Various.
Total	32	16	

Notes on the foregoing table:

(a) Delivery varies considerably with the particular component involved. As to an item such as practice bombs, primers, containers, gaskets, washers, felt pads, etc., the lead time, after award of the contract, until commencement of deliveries, averages at the present time about 90 days. However, this period is dependent upon the nature of the material, and its availability under the controlled-materials program. Such contracts have a delivery period of 6 to 8 months on the average.

(b) With reference to special ammunition components, requiring special facilities, such as cartridge cases, rocket heads, projectiles, fuzes, etc., the lead time to set up the required special facilities is 9 to 15 months after award of the contract. Such contracts for end items have a delivery period of 10 to 15 months. Once facilities are completely installed, and a contractor has attained full production, additional contracts will have a lead time dependent upon the availability of materials, as set forth above.

(c) When the Government is required to furnish special facilities, the award of contracts for facilities involves additional time. The nature of funds increases the number of clearances required, with a consequential increase in the time element of as much as 90 days.

Department of the Air Force

In the Air Force a total of 40 signed approvals are required in the procurement process. These include all of the screening in the Supply and Procurement Divisions. The procedure and the number of approvals required at the present time are the same as those required during World War II, except for minor changes. The length of time which may elapse between the date on which funds are appropriated by Congress and finally expended will vary by item from as little as 30 days to as much as 44 months. When standard items are procured off the shelf under emergency conditions, the time may be as little as 30 days from the receipt of funds until delivery and acceptance of merchandise and payment of the invoice. However, such action is exceptional.

In the case of procurement of heavy bombers, for example, when an order is placed at the end of a fiscal year and adding to this the 2½-year lead time required for production, delivery, and acceptance of this item would make a total of more than 3½ years from the time the funds first became available until finally expended.

PROCUREMENT PROGRAM AND CONSERVATION OF RESOURCES

(See pp. 54, 56, and 77)

The Army, in the past and at present, continues to take concrete steps toward supply economy and cost consciousness phases of its activities. Attached are recent representative documents published under this program.

In the procurement field the following information depicts actions which have and will improve the procurement programs of the military services:

(*a*) The Army participates in the Munitions Board purchase assignment and procurement coordination programs for centralizing procurement responsibility and developing efficient cross-procurement procedures. Additionally, the Armed Services Procurement Regulations Conference, composed of representatives of the three departments, meets weekly to discuss common procurement problems and suggest practical solutions.

(*b*) Contract information is currently exchanged between the Army, Navy, and Air Force. Information exchanged in connection with a specific contract, covers the type of contract, rate of profit, and type of pricing clause. This coordination has proven to be of considerable value in preventing suppliers from bargaining for more favorable terms on the basis of a better offer from another service.

(*c*) The Department of the Army, through participation in the military standardization program, is embarked on a twofold program with the prime objective being to attain the highest degree of practical standardization of all matériel used by the Armed Forces. One objective of this program is to convert all uncoordinated military, United States Army, and Technical Service's tentative specifications to fully coordinated military specifictaions by July 1955. All new specifications are being issued in the military or Federal series. The other objective is the standardization of items, and of engineering and related practices in all areas where it appears feasible and desirable. Strict adherence to the objectives of this program will result in the elimination of many price differences between services through uniform presentation and inclusion of those properties peculiar to all services, and will insure purchase of only such items as meet those requirements considered essential to the Armed Forces. Other results will be reduced procurement costs; increased production capabilities; and maximum interchangeability of items and components.

DEPARTMENT OF THE ARMY,
OFFICE OF THE ADJUTANT GENERAL,
Washington 25, D. C., November 16, 1951.

Subject: Cost Consciousness Indoctrination.
To: Commanders in Chief:
Far East.
European Command.
Commanding Generals:
United States Army, Alaska.
United States Army, Caribbean.
United States Army, Pacific.
Trieste United States troops.
United States forces in Austria.
Continental Armies.
Independent commands under the Department of the Army.
Chief of Army Field Forces.
Chiefs of Administrative and Technical Services.
Commandants, all Army schools.

1. The progress which has been made in supply consciousness and supply economy practices by personnel of the Military Establishment is gratifying. The personal attention given this matter by commanders and supervisors at all levels has produced concrete results, but the field must be explored further.

2. The cost element alone involved in equipping our forces properly for war is a tremendous drain on the Nation's economic resources and a heavy burden upon the American taxpayer. Every effort must be made by all concerned to obtain the ultimate value from our appropriated dollar.

3. Each member of the Military Establishment must be thoroughly indoctrinated in cost consciousness and what he as a single individual can do to affect measurably the returns received for every dollar expended.

4. It is desired that the cost consciousness indoctrination program (inclosure No. 1) be implemented at all levels of the Military Establishment. In combat zones this program will be implemented to the maximum extent practicable.

5. It is further desired that commanders and supervisors at all levels lend energetic and enthusiastic support to this program.

By order of the Secretary of the Army:

WM. E. BERGIN,
Major General, United States Army, The Adjutant General.

COST CONSCIOUSNESS INDOCTRINATION PROGRAM

1. Reference is made to:

a. Department of the Army letter, AGAO-S 400 (August 16, 1951) G4–M August 21 1951, subject, "Supply economy."

b. Secretary of the Army's monthly message to all personnel of the Army.

2. Responsibility

It is the responsibility of each individual in the Military Establishment to insure that maximum effectiveness is obtained from each appropriated dollar expended. Commanders and supervisors at all echelons will give this matter their personal and constant attention.

3. Training

a. During basic training the following instruction will be integrated into the 6 hours devoted to maintenance, supply economy, and supply procedures.

(1) Each trainee will memorize the specific cost of at least 10 items of individual equipment and clothing, such as the rifle, bayonet, mess kit, blanket, bas mask, etc. (all prices to be checked monthly with DA G–4 Report A–9).

(2) One period during the 6 hours will be specifically devoted to "cost consciousness" stressing the following:

(*a*) The cumulative effect of the loss or destruction of one item in relation to an organization or unit strength.

(*b*) The fact that trainees and their families are, through taxation, paying for equipment and supplies.

(*c*) The total money appropriated by Congress for the Army program and the program under which it will be expended.

(*d*) One hour of the T. I. and E. program or unit commander's time will be devoted to cost consciousness indoctrination.

b. During unit training all the instruction indicated in par. 3a (2), above, will be stressed. In addition the cost of unit exercises, maneuvers, transportation, gasoline, etc., will be emphasized. Unit T. I. and E. programs will emphasize this subject utilizing DA phamphlet 20–130, Let's Get Our Money's Worth; Officers Call Volume 3, No. 5, Using Our Supplies; Armed Forces Talk No. 356, Conservation is Everybody's Job.

c. Instruction in Army schools and courses will include the cost of important items of equipment in even dollars when appropriate. Any cost stated will be subject to inclusion in any tests or quizzes given. One hour of instruction on the total money appropriated by Congress for the Army program and the programs under which it will be expended will be included. A portion of T. I. and E. programs or commandant's time will include subjects on this matter as indicated above.

4. Military activities and operations

a. During the performance of every day military activities and operations commanders and supervisors will emphasize the cost of equipment, supplies, and the over-all cost of operations. Every effort will be made to induce each individual to look for ways in which his job or duty can be performed more efficiently and at less cost, by the elimination of waste. T. I. and E. programs as above will be implemented for both military and civilian personnel.

b. Overseas theaters: Cost consciousness indoctrination for all personnel in overseas theaters is doubly important in view of the additional cost involved in the transportation of equipment and supplies. This cost together with all of the matter covered in paragraphs 2, 3, and 4, above, will be constantly and strongly emphasized at all echelons.

c. Combat zone: Commanders in combat zones will utilize every opportunity to impress each individual with the costs involved not only as to equipment and supplies but the cost of waste in terms of success and failure. This program will be implemented to the maximum extent practicable.

5. Publicity

a. Signs or posters will be placed at appropriate locations, such as entrances to motor pools, and along heavily traveled routes, reminding the soldier of the cost of his equipment. Examples:

(1) Your jeep costs $2,600—take care of it.

(2) Your weapons carrier costs $4,700—treat it gently.

(3) The cost of gasoline, tires, and individual equipment would also be appropriate.

b. Appropriate signs or posters illustrating costs and prices of equipment will be displayed in unit areas and throughout camps, posts, and installations.

c. Every effort should be made to utilize displays showing equipment worn out or damaged through lack of proper care and maintenance always including the cost involved.

d. The maximum publicity will be given to this program by the Department of the Army.

6. Marking equipment

a. Items of important dollar value will be plainly marked with the price and so placed as to be in full view of the operator.

b. Marking will be in accordance with AR 850–5, and will also be accomplished by the unit.

c. Items of equipment with an important dollar value should not include the individual's clothing and equipment, except his weapon. Items selected for marking should be those which have very little variation in price because of constant changes in procurement cost. Every effort should be made to select items for marking which are peculiar to the military and which are not available on the civilian market.

d. The following are examples of items which can be properly classified as important dollar items:

(1) Individual and crew served weapons, including all types of artillery pieces.

(2) Vehicles, wheeled, half-track and full-track.

(3) Expensive electronic and other special equipment used by the arms and services.

7. Competitions.—There is no objection to the conduct of competitions on this or any related matter, at unit, installations, or command level. However, at the completion of any such contests or competitions every effort will be made to assure that there is not a let down or decrease in the emphasis on this program.

8. Liability.—Any equipment or clothing lost, damaged, destroyed, or worn out through lack of proper care and maintenance or through gross negligence will be thoroughly investigated by proper authority and responsibility fixed. Pecuniary liability for such equipment will be determined in accordance with AR 735–150.

9. Inspection.—Supervisory personnel of command and staff will be instructed to make on-the-spot corrections of wasteful practices and negligence in the care and preservation of equipment wherever indicated and to stress the importance of cost consciousness and supply economy during staff visits and inspections. Commanders and inspectors general making routine or other inspections will examine thoroughly the implementation and progress of this program. Each report of inspection will include comments and recommendations concerning the relative effectiveness of the program inspected.

OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON 25, D. C.

ARMED FORCES TALK 356

This talk is distributed for the use of commanding officers in informing their personnel.

CONSERVATION IS EVERYBODY'S JOB

American citizens know that their determination to keep the United States secure, advance the cause of world peace, and beat back the aggression of world communism demands that the country be militarily strong. They, through the Congress, determine how much shall be spent. Whenever war has come,

they have been willing to spend and spend until victory was won. At the same time, they expect a full dollar's worth of security for every dollar spent.

Giving the country that full dollar's worth calls for "conservation," which is just a high-sounding word that means economy, saving, wise use, and prevention of waste.

The conservation process begins with top-level planning. At that level it includes digging into the necessity for every item in the military budget. It includes consolidations and the organization of single operations, such as the Military Air Transport Service (MATS) and the Military Sea Transportation Service (MSTS), to serve all the Armed Formes. It means unified procurement, standard'zation, and the avoidance of duplication wherever possible. It includes careful review of past experiences for whatever lessons they teach. On a lower level it includes wise use of personnel and matériel. It includes your commanding officer's instructions about the care of equipment and the salvaging of usable articles of clothing. And it includes what you, the ultimate user, do. One high-ranking officer has put it this way:

"In the final analysis, an organization is only as effective as the people who comprise it. Each of us should ask himself regularly, 'If this were my own personal business * * * what would I do to reduce costs * * * [and] inefficiencies—the little ones as well as the big?'"

So conservation is your worry, and mine

Conservation is economy of supplies and equipment by every man and woman in the Armed Forces. At its best it is developed through training and practice until it becomes habit. It includes care, preservation, safeguarding, repair, recovery, salvage, and the economical use of food, fuel, clothing, equipment, personnel, transport, and all other materials and services. It can't be shouldered off as somebody else's job.

How many individuals are concerned? More than 2½ million people—uniformed and civilian—are now in the Defense Establishment. Plans which call for more men and women to be in uniform carry with them a sizable increase in the number of civilian employees. All of these people practicing conservation every day can "save" a lot of money in a year. No one knows how much, but it adds up to a huge saving. It keeps our Defense Establishment from costing more than it has to, makes more money available for other national activities, and helps keep down the public debt.

Where does the money come from? Who pays?

Everybody knows where the money for national defense comes from. It comes from taxes, individual and corporate. It comes from income, inheritance, and other similar taxes, as well as from taxes on amusements, luggage, jewelry, cosmetics, beer and liquors, gasoline, and hundreds of other items. Members of the Armed Forces pay their share. When Federal income taxes were increased recently, beginning October 1, 1950, the increase was for defense. When equipment is improperly used, when food, fuel, and electricity are wasted, and when oversupply is hidden, the bill is being paid by our families, by our friends, and by ourselves. So the citizen in uniform owes to himself, as well as to his fellow Americans, the duty of watching where the money goes. Using wisely is sound business—and our business is to give the country the greatest security for the fewest dollars.

What are some military and naval costs?

That meal you just polished off, along with the others for the day, cost $1 and some cents. In a year, that food ration adds up to about $400 for each man. Multiply $400 by the proposed size of the Armed Forces and write down $1,200,000,000—for food alone, to say nothing of the cost of transporting that food to you. (You contributed some of that money through the taxes you paid before you took the oath of service. You will continue to pay them while you are in the service.)

Many savings can be effected in the preparation and use of all that chow. The mess personnel can see to it that they don't cook more than is needed. If there are left-overs, the cook can devise another palatable meal. In addition, each man can do his part by following the old admonition, "Take all you want, but eat all you take." It all helps. Every pound of food saved is that much less to be transported to you.

Our soldiers, sailors, and airmen are stationed throughout the world. Supplies have to be carried to them. A good figure for estimating what it takes to keep each man overseas is one shipping ton (40 cubic feet) of shipping space monthly.

It takes six shipping tons to get him overseas initially. This includes the equipment he uses, the food he eats, and the supplies for his machines and weapons.

Let's look at an example. The supply line of our Armed Forces in Korea is long. Transportation charges for each ton shipped to them, including loading, water transportation, and unloading at destination, amount to about $71. That means it costs about $426 to ship each man and his equipment to Korea, and a monthly $71 to keep him there.

The Armed Forces, like all of the country's agencies, public and private, are faced everywhere with the high cost of necessities. In the Armed Forces these necessities range from gasoline to guns, from bread to bulldozers, and beyond. Knowing the costs, men and women in the Armed Forces, and the civilians associated with them, must live by the axiom that "a dollar saved is a dollar earned" for national security—both military and economic.

Part of the solution of the problem of conservation rests in each person's mental attitude toward the equipment he uses, the food he eats, the buildings which house him. If each of us would act as if he personally paid for everything he gets or uses in the service, the result would be a tremendous saving without loss of military efficiency.

What is supply economy?

In the service the practice of conserving is known as supply economy. Supply economy is based upon a military principle as old as history—economy of force. It means using equipment and supplies just as carefully as a commander in combat would use his forces.

In general there are five basic principles of supply economy which affect you directly. How well you observe these principles will control much of the effectiveness of conservation:

1. Use of supplies and equipment for their intended purposes only;
2. Use of only the amount necessary to accomplish the desired result;
3. Proper care, preservation, and timely repair;
4. Safeguarding against loss; and
5. Prevention of oversupply and hoarding.

Why should equipment and supplies be used for their intended purposes only?

When Uncle Sam thinks of buying a new piece of equipment able and expert men figure out what its purpose will be and they design it for that purpose. Into every item they build certain performance, within definitely stated limits. A jeep, for instance, with its four-wheeled drive, is designed for cross-country travel over the rough ground of combat terrain. It's not a racing car, nor is it designed for speedway competition on modern roads. It's not designed to pull the load that a tractor is built to pull. It is not intended to push heavy trucks and guns out of the mud. High speed and heavy overload lead to rapid breakdown. Spare parts and repairs all cost money—needlessly.

And who wouldn't like to have a dime for every time he has seen a fellow serviceman using—misusing—a bayonet as a can opener, a rifle butt as a sledge hammer, or the service uniform as a work outfit in a grease pit?

Every weapon has certain limitations. It is not intended that a machine gun will be fired until the barrel burns up from overheating; only a combat emergency would justify such firing. What applies to weapons is good practice with other highly technical equipment. The manuals on the use of radar, engineer tools, and flight control and bombsight instruments state the performance capabilities and limitations of each piece of equipment. To exceed or even to approach that limit, except in emergency, is uneconomical and inefficient.

What is meant by using only the amount necessary?

The proper use of equipment and supplies includes thrift—the same thrift that Benjamin Franklin preached.

Being thrifty doesn't include "sending a boy to do a man's job." You would not try to raise a building with a handjack, or to cut down a forest with a handsaw. No one is expected, in the name of economy, to tackle a rock formation with a pickax when dynamite and a mechanical shovel are necessary. The Army, Navy, and Air Force do not advocate this "small change" and false economy as a method of doing business.

But economy is part of the game. Every leader, every man, should use just the right amount of equipment and supplies to do the job adequately and efficiently. That is conservation. Any greater use of materials, time, or manpower is waste. How often are heavy-duty trucks used to haul only 300 pounds of supplies? How often does a 10-ton vehicle carry a squad?

"Save fuel." "Turn off that light." "Is this telephone call really necessary?" These and similar slogans appeared on walls, billboards, and car cards, and in the newspapers and magazines during World War II, It was impossible to go anywhere without being reminded about "conservation." Today you are undoubtedly hearing that the temperature indoors in winter should not be above 70 degrees—that there must be conservation of paper, ink, gasoline, oil, telephone calls. Everything that is used, virtually every move we make, is related to conservation in some way.

For instance, at some time or other you have driven by the power plant of your post, base, or installation, and have seen a huge mound of coal there. Every day large amounts of that coal are being turned into power. Most of it is going into making electricity for lighting barracks, homes, and offices. Turning off one light in six, burning lights 1 hour less each day, can add up to tremendous savings. The same fuel oil that drives your ship is used to provide the power for electric lights. Every light turned out when not needed means that your ship can steam further—and reduce by that much the oil carried long distances by tanker to refuel your ship.

Overseas, such savings of electricity are even more real than just saving part of a coal heap. Coal savings by our forces in Europe and Japan can be turned directly into the local economy to make industry hum faster. The goods turned out are sold in export trade. More money in the till in Germany and Japan means that their dependence on the United States for support is lessened, and a real saving in tax dollars is made.

What is meant by proper care and preservation?

Every piece of equipment should be cared for properly. If it isn't where it should be, or isn't in good shape, then the personnel responsible for it are not doing their job efficiently.

From this point of view the term "shipshape" best describes good supply discipline. This Navy expression means that every part of a ship—the engines, anchor, guns, boilers, signal equipment, quarters—are clean, in good order, and ready for use. The machinist's mate with his wrench, the radarman with his soldering iron, the gunner with his cleaning compounds, the galley cook with his pots and pans—each is taking the best possible care of equipment so that it will give tip-top performance when needed. Keeping the engines running efficiently, preventing waste of fuel, guarding against failures in signal equipment, cleaning the guns properly, add up to many dollars saved in fleet operation. When the ship pulls alongside a tender or into a shipyard for essential repairs, the lay-over is shorter and the repair bill substantially less.

That same kind of conservation—taking proper care of equipment—reaches into all the services. Gunners, mechanics, technicians are issued the equipment needed for their jobs, whether operating a gun, repairing an engine, driving a truck, piloting a jet fighter, or docking a ship. The smart person learns what his weapons or tools are capable of doing and what their limitations are, and keeps them in good order; and then he uses them only as they were built to be used.

When a B–29 lifts its landing gear and flies out of sight, the ground crew that prepared it for flight prepares for its return to base when the mission is accomplished. Ground-crew members have a heavy responsibility. A mechanic's carelessness may mean the failure of a motor, a forced landing, or an unaccomplished mission. When a plane accomplishes its mission, the ground crew knows that they, too, have accomplished their mission. The plane crew, also, has a heavy responsibility. Replacing a motor because the pilot or engineer was careless is expensive business. Proper technique in flight operation, timely repair, and proper maintenance spell economy in letters of gold.

Similarly, an armored division with approximately 15,000 men rolls along on mechanized equipment. The heat's on every man to keep the outfit rolling. One tank out of action because of a thrown track or because someone failed to check the oil pressure means that the tank isn't able to function, that supply discipline has broken down, and that conservation is just a word in the dictionary. Everyone can save on repair costs and damage to his equipment by proper maintenance, by taking that stitch in time.

Following what the manuals have to say about protection of property and equipment is another way of practicing economy. When winter or summer oil is called for, when a patch is indicated—that's the time to do the job. "Let George do it" isn't good enough if the Armed Forces are to give the Nation the most security for its tax dollar.

Proper care also includes looking after such daily requirements as keeping supplies covered, protecting machines from rust, driving vehicles at resonable speeds, and flying planes at their normal cruising power, except in emergency.

How can we guard against loss?

When supplies and equipment are stored, every possible leak should be plugged. Government supplies sometimes "disappear." The intention on many occasions is to return the typewriter, the leather jacket, the radio receiver—after it has served the pleasure or requirement of the moment. But often, thoughtlessly or carelessly, the item is never returned to the proper supply room. Real economy may be made possible every day if the supply room will adopt the simple device of asking whether the use of the equipment is necessary to the mission of the individual or unit. Personal desire to have the latest model or style, while the old article is still usable or wearable, is not economy.

An addition to unintended leakage is the draining off of items for black-market sale, or perhaps for individual use with no thought of returning them. Oftentimes this looseness with Government property is born of the thought that Uncle Sam is "Uncle Sugar." You have heard the remark: "If I don't get it, somebody in Korea, Germany, or Japan will." This perverted thinking goes even so far as to assure the "borrower" that the item rightfully "belongs" to him, since he is a citizen and a taxpayer.

An office manager of a firm employing 2,000 persons estimated, not long ago, that the firm's loss of pencils, paper, typewriter ribbons, and hundreds of other small items amounted to $14,000 annually. For the Armed Forces, increase the number of persons to several millions, add to the list of items everything from spark plugs and oil to ammunition and furniture, and the loss estimate under similar circumstances could assume staggering proportions. How much such actual loss amounts to can only be estimated.

There is no sure cure for this "loss," short of a high standard of moral conduct. That cannot be legislated, induced by threat of punishment, or brought about either by "soft soap" or harsh words. It's a matter for the individual conscience. However, supply personnel can do much to safeguard against loss by keeping their records properly, by storing supplies and equipment so that they cannot be easily drained off, and by using a system of distinctive marking. All members of the Armed Forces can economize and prevent loss by refusing to connive or assist in removing supplies and equipment illegally. During World War II, as in all wars, there was considerable leakage of supplies. Human ingenuity went so far as to crate all the parts of a jeep and mail them home piece by piece. Not until all packages were checked by the electronic "human eye" did this large-scale movement of metal slow down to a trickle.

Why do some servicemen hoard supplies?

Another thing that everyone can do is to refuse to hoard supplies. A unit should request no more than is needed and should turn back into supply those items no longer necessary to the functioning of individuals or the unit.

Hoarding of supplies dates back before the days of Caesar. Put men in uniform and almost immediately a considerable number become "pack rats," even thought in civilian life they never tucked items away. There's something about the idea of getting in line to obtain a pair of shorts, a couple of pencils, or some stationery that makes even the most casual individual suddenly become obsessed with the idea that he had better get an "extra" supply. His peculiar reasoning is that there may not be any more when he returns the following day or week.

If the "pack rat" tendency applied only to the individual's equipment and supplies, it would be somewhat understandable. However, the idea is sometimes extended so that individuals are subject to this mental quirk when they draw supplies for their units. Rare indeed is the outfit which doesn't gleefully tell of how supplies were laid out "100 percent correct" for the inspector or commanding officer, while additional ammunition, clothing, and office supplies were hidden.

Tight accounting methods and rigid inspection will correct a large part of hoarding, but this game of hide-and-seek benefits no one. National security takes a licking and the cost of national defense zooms. Say, for instance, that because of hoarding, overrequisitioning, and other methods of uneconomical handling, Armed Forces records showed a shortage of 3 percent of some item thought to be on hand. The following year the budget allocation for replacements would have to be increased to make up for the missing items.

Some may say that it should be easy to figure out how many of the particular items are available in the services, and how many are needed for a coming year.

The truth is that supply agencies attempt to make their estimates as realistic as possible and as close to the margin of safety as possible. Sometimes, because of unnecessary damage, unnecessary losses, or "runs" on the supply source, the supply agencies must purchase additional items at the last minute. The money for them comes out of funds intended for other uses, and somewhere in the process there is a shortage. Very possibly, if funds have been contracted for up to 100 percent, the armed services must do without.

When supplies have "disappeared," someone must go short. Most often he is the man at the far end of one of the supply lines—and very often he is the man who needs it most. He may be the sentinel on the Manchurian border, the truck driver in Austria, the crew chief servicing a plane in Tokyo, the sailor in Arctic waters. Remember the wartime cry of the front lines for the food, cigarettes, or ammunition which on occasion did not reach them? Very often someone along the supply line was guilty of overrequisitioning and hoarding. It all added up to a lack of a sense of economy, to say nothing of the lack of teamwork and fair play. The men responsible were without a sense of justice to their buddies up front, who had discomfort and death as daily companions.

What are other ways of economizing?

Proper use, proper care and repair, safeguarding against loss, and prevention of hoarding are not the only methods of conservation open to everyone in the Armed Forces. The field is almost unlimited. Proper care of one's health—preventive medicine—and keeping out of the guardhouse or the brig, can save the loss of many days. Safety precautions around barracks, at homes, in vehicles, planes, and ships can pay big dividends. Economy of life and man-hours is as important as economy of equipment and supplies.

Another method of conservation is in the use of that "horse sense" which has made America. American native ability and capacity for improvisation, American know-how may be passed on to other members of the services through the suggestion box and through publicity.

There is no one of us who cannot in some way economize for Uncle Sam. Perhaps the signal code word for the letter "S" should be changed from "Sugar" to "Saver" so that the cables for "U. S." would come out millions of times yearly as "Uncle Saver." Similarly, "Easy" for the code letter "E" might be changed to "Economy." That daily reminder might bring to each of us every day the realization of the many things we can do to economize; for saving results largely from a mental attitude—from being conservation-minded.

If the query, "So what?" comes to mind, think of the advantages that we as individuals, get from practicing conservation. Economy is not a one way proposition, of benefit only to the Armed Forces as an organization. The benefit comes right down to each one of us in comfort, convenience, and personal satisfaction. The mechanic or technician who cares for his tools, or the combat serviceman who is sparing with his equipment, gets that warm feeling of doing his job well. All of us get satisfaction out of living up to responsibility, looking after our equipment, and knowing it will operate effectively when the test comes. If we know that our unit can do its job better than others of like composition, if we know that ours is a smart outfit not only in training but in use of matériel, we have pride in belonging to the best infantry company, the best ship's crew, the best plane crew, the best service.

Feeling that way adds up to being proud that we are Americans—proud that we have the good sense and the responsibility as citizens and servicemen, to help give the Nation the most security for the least number of dollars.

Department of the Navy

The Department of the Navy is making every effort to assure that funds are used in an economical and efficient manner to bring the maximum in security for every defense dollar spent. The Navy has frequently called in top management personnel from industry to look at specific operations so that the best of current business practices can continue to be applied to the management of Navy programs; e. g., Mr. K. T. Keller, chairman of the board of the Chrysler Corp., assigned two of his key people to look at the operations of the Navy spare parts program, at the request of the Secretary of the Navy. The Chrysler report of January 29, 1952, appended hereto as enclosure (1), stated that—

"While we are aware that the Naval Supply System has a responsibility for maintaining, at all times, a military readiness to meet an attack which is entirely

different from any problem faced by industry, we were pleased to observe the methods in use parallel, to a large degree, those of the Chrysler Corp. and other similar concerns who have material management problems."

The Navy Department welcomed the constructive recommendations in this report, and they are now receiving active consideration.

The Secretary of the Navy has also designated an advisory group on supply management, composed of outstanding men from industry, and chaired by Mr. Robert L. L. McCormick, director of research, Citizens Committee for the Hoover Report. The December 13, 1951, report of this advisory group, attached as enclosure (2), stated of the Aviation Supply Office:

"In our opinion the system at Philadelphia was conceived, and is operated, with great professional skill. The question there is not whether the supply system is imperfect. The question is whether it is too complete."

The advisory group made several recommendations for the improvement of supply operations which are now being reviewed in the Navy for appropriate action. The Navy, it should be noted, invited this sort of constructive criticism in order to increase the efficiency of supply operations.

During the last fiscal year we have further implemented a program of management improvement in the Department of the Navy. This program affects all bureaus, offices, and field installations in the Department of the Navy and in the United States Marine Corps, who are required to report, at least annually, on all action taken to improve economy and efficiency in activities under their jurisdiction. These reports are centrally reviewed and analyzed in the Office of the Under Secretary of the Navy so that the Navy may benefit from the exchange of management know-how and information. Under the reports control program there has been a net reduction of over 9,000 forms and 522 reports. Real progress has been made in the material identification program and $981,000,000 worth of material has been found usable. The cost of this latter program has been $9,500,000, a return of $103 for every dollar invested. Other areas covered by this management improvement program are work simplification; utilization of office equipment, material utilization, facilities, quality control, office systems, etc.

During the past year, our Industrial Survey Division and our Shore Establishment Board, under the Navy Inspector General, made a total of 22 on-site surveys. These surveys are part of a continuous program that has been in effect for several years. They are designed to check upon the economy and efficiency of operations and of management in our Navy installations. In addition district commandants make numerous surveys of installations in their districts following guidelines set forth by the Navy Inspector General.

An organization has been established and policies and procedures have been issued calling for the rigorous review of manpower requirements and utilization in the Department of the Navy in order to increase efficiency and reduce costs wherever possible. Work measurement data, accounting data, staffing tables and staffing ratios are used as part of this review system. An example as to the way these data are used is provided in the field of Navy civilian personnel administration. For fiscal year 1951, Navy had 1 personnel worker for every 88 civilian employees serviced. For fiscal year 1952 this will improve to 1 personnel worker for every 91.3 employees served and to 1 to 93.1 in fiscal year 1953. These personnel savings are reflected in the fiscal year 1952 and 1953 budgets.

The Navy has under way a concerted drive to make everyone in the Department efficiency-minded and cost conscious. In addition to the formal organization and actions for management improvement described above, the Navy enlists individual efforts in this endeavor. That this drive for economy is paying off is affirmed by the fact that the Department of the Navy received first award for 1951 from the National Association of Suggestion Systems in recognition of the greatest increase in employee participation in this form of management improvement of any Federal agency. Suggestions made by our employees have resulted in increased efficiency during the last fiscal year. The first group achievement award granted in the Department of Defense, under title X of the Classification Act of 1949, was presented last November to 62 employees of the Navy for outstanding effort in expediting the shipment of supplies to Korea.

The Secretary of the Navy on January 30, 1952, issued a directive giving responsibility to the Chief of Naval Material for establishing policies and procedures governing a Navy-wide material conservation and utilization program. The objectives are (*a*) to develop "material consciousness" on the part of each individual; (*b*) to foster the utmost economy in the use of material; and (*c*) to promote the use of substitute materials to the maximum extent possible. This action centralizes direction for a program that has been in effect in the Navy for

some time. In the first 6 months of fiscal year 1952, strategic and critical materials of $8,378,960 value were made available through the sale of scrap material and by shipment to GSA for stockpiling.

The most unglamorous, yet by far the biggest savings to Navy and to the Government, are those that cannot be reflected in dramatic examples. These savings accrue by having the right people in the right jobs pursuing in their daily routine business practices that avoid costly mistakes and the need of later correction or improvement. The examples cited above are illustrations of a very real effort on the part of top management and supervisors in the Navy, both military and civilian, to obtain the most out of every dollar in building up a powerful defense for the United States.

Department of the Air Force

The Air Force is taking continuing action to secure increased effectiveness in all its operations and activities through a positive, guided program for achieving the most effective and efficient utilization of all allotted resources—money, manpower, and matériel. The Air Force management improvement program is conducted under the general supervision of the Assistant Secretary of the Air Force (management). The Chief of Staff, United States Air Force, in carrying out his responsibilities, has given full support to and personally stressed the goal of "more fire power with less manpower." He has, on many occasions, orally and in writing, pointed up the Air Force's responsibility for improving economy in its operations. Subordinate commanders have, in turn, been charged with meeting this goal through the elimination of waste and extravagance. The program reflects full acceptance by the Air Force of its responsibility to the Nation for obtaining maximum effectiveness from each dollar expended and for obtaining a proper balance in the use of resources for primary mission, direct support and indirect support functions. The Air Force is presently engaged in achieving a 50-percent increase in "air power" with a maximum increase of only 20 percent in manpower.

The program includes taking direct action to identify and eliminate any wasteful practices, to improve economy of operations, and to apply the best management practices and procedures in all Air Force activities. Weak areas and "soft spots" are identified through survey and analysis of management practices, manpower and equipment utilization, organization, methods and layout; work measurement, cost analysis, program analysis, and recurring and special investigations. Elimination of weakness is accomplished by taking direct, positive action to implement approved recommendations, by standardizing best practices and procedures, continuing analysis, work simplification, establishment of required controls and standards and through continuing indoctrination and training of commanders and supervisors of all levels.

Specifically the Deputy Chief of Staff, Operations, Headquarters, United States Air Force, is responsible for general direction of the Air Force-wide management improvement program. The Director of Manpower and Organization, DCS/O is the operating official and focal point in the Air Staff for development and implementation of this program. Every element of the Air Staff is responsible for ascertaining that there is continuing improvement in carrying out its respective functions. This staff responsibility covers all organizations and all levels, consistent with normal command prerogatives, and includes guidance within each functional area of assigned primary interest, as well as periodic appraisal of the activities involved. The Air Staff agencies concerned are: The Deputy Chiefs of Staff-Comptroller, Development, Matériel, Operations, and Personnel; the Air Adjutant General, the Inspector General, and the Surgeon General. An Air Force Management Committee comprised of representatives of each of these agencies meets periodically to discuss the management programs, study the problems involved, and analyze progress.

All commanders of major air commands and other commands reporting directly to Headquarters, United States Air Force, have been specifically charged with obtaining maximum improvement in econmy, effectiveness, and efficiency in accomplishment of their missions and in all organizations. Air Force published policy states:

"Management and command are synonymous. Management improvement in the Air Force will be accomplished primarily by personnel in the command line."—"Improvement in management is an inherent responsibility of successive command and staff echelons of the Air Force. This includes all levels of management, and all commanders and supervisors, whether military or civilian."

Typical examples of progress made in preventing waste and extravagance and of positive results achieved through this program are:

As a measure for obtaining improved analysis and control, the office of the Air Comptroller was established on July 15, 1946, consisting of the Statistical Control and Budget and Fiscal Offices. With unification of the armed services, under the National Security Act of 1947, the functions of accounting, auditing, budgeting, disbursing, statistical reporting and management analysis were integrated into the organization. The Comptroller has developed a training and education program, established a cost control system, developed the Air Force budget structure, improved programing techniques and refined the statistical reporting system. Other major accomplishments since 1948 include selective auditing, world-wide statistical reporting, revision of the military pay system, simplification of the budget structure, development of an integrated accounting system and a guide to management analysis.

Prior to fiscal year 1950, the Army budgeted for the support cost operations of the Air Force. In the budget for fiscal year 1950 the Comptroller presented for the first time in one estimate all of the major costs of the Air Force. The new appropriation structure was primarily functional and was based on the homogeneous grouping of related programs within a single appropriation. It allowed the segregation of major Air Force programs into functional or performance areas and resulted in the so-called performance type of budget. Its adoption by the Air Force has resulted in more effective management of appropriated funds.

The Air Force maintains a continuous program of indoctrination and training for commanders and supervisors at all levels. This project includes continuing training at base level throughout the Air Force for supervisory personnel; 500 graduates of a manpower management course conducted by a civilian University; special training courses conducted under the supervision of the Deputy Chief of Staff, Comptroller; inclusion of management training in the curriculum of each service school; and management training for 400 commanders which is currently being conducted.

"Manpower utilization" activities are and have been responsible for designing and promulgating programs to assure better utilization of manpower and increase the operational capabilities of the Air Force by utilizing practices that capitalize on the highest skills and capacities of individuals, using women, the handicapped, civilian and marginal category personnel to make available the maximum number of combat-type personnel for mobilization, and by strengthening manpower-auditing procedures so that increasing utilization may be progressively measured.

An important contribution to the plan for applying industrial management principles to Air Force operations, is the cost control system which provides a method for objectively evaluating operating costs by functions. Commanders, who are the managers of Air Force activities, are able to compare the efficiency of their units with that of comparable units and detect areas which reflect excessive costs. Improvement actions based on these analyses can then be accomplished to improve efficiency and economy.

The Air Force sponsors a continuing management improvement awards program. The program provides for rewarding personnel who make outstanding contributions to better management and those whose ideas result in specific monetary savings.

In June 1951, the United States Air Force Survey Panel of the Air Force Equipment Review Board completed an extensive survey of tactical units in the Far East Air Force. The objective was to capitalize on combat experience in adjusting equipment tables according to the dictates of experience. The result of this special survey was the reduction or deletion of 2,200 items and substitution of 700 itemes of equipment of lesser cost, which increased the operational capability of tactical units. The net reduction of 1,500 items, ranging from hand wrenches to rock crushers, is reflected in a net value of approximately $94,000,000.

During fiscal year 1951 the Air Force, through management improvement, saved an estimated $27,380,000. These savings, detailed in the Annual Management Improvement Report, include only those items where definite estimates of savings were feasible. Many other improvements and savings were made but specific dollar amounts were not estimated .

The Air Force since April 1949, has required in effectiveness reports submitted on each officer, a specific statement concerned with the degree to which each exercise judgment in economical management of personnel and resources under his supervision.

The following items represent specific accomplishments during the period July 1, 1950, to October 17, 1951:

Use of an Air letter sheet reduced aircraft cargo space requirements resulting in an estimated savings of $14,000,000 per year. In 1951 the employee suggestion program produced 3,134 adopted suggestions with estimated annual net savings of $8,429,000. Records management resulted in savings of approximately $2,579,000. Abolition of teams engaged in USAF absentee apprehension and transfer of their responsibilities to existing activities reduced costs by an estimated 213 man-year and $766,000. Realinement of organizations and functions at aerial ports of embarkation resulted in savings estimated at 500 man-years. In fiscal year 1951 the Air Force forms management program saved approximately $289,000. During the 12-month period ending October 31, 1951, the Far East Air Matériel Command, through reclamation and salvage activities recovered and thus saved approximately $600,000 in Government materials. In fiscal year 1951, the Three Hundred and Fourteenth Air Division, through management improvement saved $357,729 in only those activities where it was possible to determine specific amounts. During 1951 prompt payment of commercial bills resulted in saving of $3,000,000 in cash discounts. Improved procedures and management techniques in the Air Force Finance Center, Denver, Colo., have reduced projected manpower requirements by 300 spaces.

The following specific "management improvement actions," representative of the Air Force-wide picture, have been reported to Headquarters USAF since October 18, 1951:

(*a*) In the first half of fiscal year 1952, savings resulting from improvements made through the activities of the Air Force forms management program total approximately $133,725.

(*b*) The Air Matériel Command has eliminated "strapping" of domestic shipping containers, resulting in estimated savings of $25,000 per year.

(*c*) A test of an integrated Air Force work measurement system indicates reduction of 50 percent in volume of work orders handled in production control (maintenance) sections, reduction in the numbers of forms required, and potential savings of a substantial number of people.

(*d*) Reorganization of the Air Defense Command, implemented in February 1952, is expected to save more than $2,000,000 annually through economies in the utilization of manpower. Housekeeping and administrative activities are being reduced considerably.

(*e*) For the first half of fiscal year 1952, Air Force savings resulting from the employee suggestion program are estimated at $2,313,784. In the first 5 months of fiscal year 1952, at Kelly Air Force Base, San Antonio, Tex., alone, such suggestions have resulted in estimated savings of approximately $135,000, computed on an annual basis.

(*f*) Facts and recommendations developed in a study entitled "Management Improvement Analysis of Engineering Construction Equipment Repair, General and Special Purpose Vehicle Repair, and Automotive Vehicle Transportation," by personnel at Eglin Air Force Base, Fla., during December 1951 and January 1952 are expected to result in many improvements in management in those fields Air Force-wide.

(*g*) By rerefining sludgy, used oil drained out of aircraft engines, the Air Matériel Command has been able to reclaim and reuse approximately 1,000,000 gallons of aircraft engine oil. In addition to the obvious substantial financial savings, this program is saving valuable natural resources for essential military and civilian use. This program has proven so successful that it is now planned to expand it to include the rerefining of used oil drawn from ground equipment.

(*h*) Numerous other base-level reports of management improvement have been submitted. They indicate many instances of specific savings in money and manpower, improved utilization of resources and increased effectiveness in Air Force operations and activities. However, since October 18, 1951, there has not yet been sufficient time for official reports on all examples to reach Headquarters USAF, or to analyze, evaluate and summarize the total dollar savings involved.

(Whereupon, at 12:20 p. m., Wednesday, February 6, 1952, the hearing was recessed subject to the call of the Chair. The Committee was called to reconvene at 10:30 a. m., Monday, February 11, 1952.)